

1960

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American Institute of Certified Public Accountants

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CPA

January 1960

Key Executives in Washington, D.C. Preview New Institute Career Film

President Seidman analyzes the selection and makeup of the Institute's committees, including twenty new ones (page 2).

Tax Information Program is expected to reach record number of taxpayers in 1960 (page 3).

Federal tax committee recommends procedures for computing interest on underestimate of tax due (page 4).

Executive Director examines current relations with noncertified accountants (page 7).

OVER 150 top people in Washington — many dealing directly with problems of financial control — saw at first hand last month what a CPA does, the problems he faces and, most important of all, what his opinion on a financial statement really stands for.

The occasion was the Washington preview of the Institute's new film "CPA." The audience included top representatives from the executive agencies, Congress, the press, and trade and professional associations. SEC SBA GAO REA PHA IRS — the representation read like a wartime code. A breakdown of the code revealed such names as John A. Beckett and W. J. Armstrong of the Budget Bureau, Ewan Clague of the Labor Department, Carmine Bellino of the McClellan Committee, and Russell Chapin of the Department of Justice.

Present also were guests from the U. S. Chamber of Commerce, the Federal Government Accountants Association, the International Finance Corporation and the American Society of Association Ex-



Lyman Bryan (center), director of the Institute's Washington office, was host at a reception following the showing of the new film. Others in the group are (l. to r.) Frank W. Kuehl, Chief of Welfare and Pension Reports, Labor Department; Russell C. Harrington, former Commissioner of Internal Revenue; Ewan Clague, Commissioner, Bureau of Labor Statistics; and John A. Beckett, Assistant Director, Bureau of the Budget.

ecutives. Educators, guidance counselors and representatives from leading professional organizations — the bar, medical, engineering, and architectural associations — attended.

In introducing the film to the widely representative audience, former IRS Commissioner Russell Harrington called the project one of double importance. "It is important to CPAs because professional accounting has a bottomless appetite for bright young people. In addition, any project that may attract bright young people to accounting is important to government, because government has a great need for the kinds of services that experienced accountants can render."

Institute's new office

Mr. Harrington also used the occasion to comment on the establishment of the Institute office.

"Today there are thousands of CPAs in the service of the Federal, state and local governments. They have been called here to Washington to serve as Director of the Budget, Controller General, Secretary of the Navy and Commissioner of Internal Revenue. They serve just as willingly in many less conspicuous ways. Because of a growing involvement of accounting in government affairs, our Institute has recently opened an office here under the direction of Lyman Bryan."

Nationwide previews

The film is currently scheduled for a series of preview showings across the country. Last month the Institute sent all state societies a guide on giving a local preview.

Although the film is primarily a recruiting aid — designed to attract top-quality students to the accounting profession — it also provides a valuable opportunity to dramatize to local business and service groups the CPA's services.

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FROM THE PRESIDENT

J. S. SEIDMAN



Inside the Institute's Committees

THERE are more committees, more committee members, more new faces and more nonpractitioners on committees than ever before. Since committees are the life blood of the Institute let's analyze them:

(1) There are 76 committees this year; 20 are new committees.

(2) The aggregate membership of the committees is 1,332, or 4 per cent of the Institute membership. The membership committee accounts for 455. The others average 12 members per committee.

(3) Of the 1,332 committee members, 361, or 27 per cent, are new blood serving on committees for the first time.

(4) It is only a rare situation where any member is on more than one committee, or has been on a particular committee for more than three years, or has another representative from his office or organization on the same committee.

(5) The 1,332 committee members come from the following categories: 1,167 or 86 per cent from practitioners and staff, 165 or 14 per cent from nonpractitioners. The percentages of these groups to total membership are 71 and 29 respectively.

(6) Of the 1,167 committee members from practitioners and staff, eight firms account for 270, or 23 per cent, and 897, or 77 per cent come from other practitioners. Their relative percentages to total Institute membership are 20 and 80 respectively.

(7) The committee chairmen (one committee does not operate with a chairman) are in these categories: 70 from practitioners and staff, 5 from nonpractitioners. Of the 70 from practitioners and staff,

38 are from separate organizations, and 32 are from eight firms.

(8) There are 12 women on committees; one is a chairman.

(9) Geographically, committee chairmen come from 20 states. Every state in the nation, the District of Columbia, and Puerto Rico are represented on committees. Nine states (New York, California, Illinois, Texas, Pennsylvania, Ohio, New Jersey, Michigan, Massachusetts) have over 1,000 Institute members, and together account for 60 per cent of the total Institute membership. They account for 53 per cent of the total committee membership. The figures for New York are 13 per cent and 16 per cent respectively.

In the tender of committee appointments, 81 declined service. On the other hand, there are undoubtedly many who would have welcomed the opportunity to serve, but are hiding their talents under the proverbial bushel basket.

How are appointments made? It's a long story and will be covered in the forthcoming committee directory. By and large, the pool is drawn from recommendations by Council members, state societies, committee chairman, and Institute staff. The list is augmented by volunteers, and authors of books and articles in specialized areas.

Though one of every 25 members now serves on committees, actually each of us is a member of the committee of the whole. Each of us has the responsibility to observe the Institute at work and to come forward with suggestions or comments. That is what makes for a vigorous, vibrant Institute, with increased dividends for all of us.

Special Offer on Economic Publications

CPAs are being invited to become charter subscribers to the publications of the Committee for Economic Development—a highly influential organization of business statesmen.

In a recent letter to all Institute members, William W. Wernitz, chairman of the Accountants' Division of the CED's Finance Committee, stressed the need for CPAs to keep abreast of economic trends to meet their responsibilities to clients.

Charter subscribers would receive CED's regular research reports, policy statements, and the confidential periodical, "Economic Development." Charter subscription cost: \$15.

Mason Named Acting Director Of Accounting Research

► Perry Mason, research associate with the Institute since 1954, has been appointed acting director of accounting research.



Dr. Mason has been in charge of staff work resulting from the creation of the Accounting Principles Board, and is currently assembling a staff and making research assignments.

Dr. Mason was graduated from the University of Michigan where he received his M.A. and Ph.D. degrees. He has taught at Michigan, Kansas, UCLA, Antioch, and at the University of California at Berkeley where he was professor of accounting for sixteen years. He is a past president of the American Accounting Association and has been an Institute member since 1938.

Institute's Current Tax Program to Reach Over Half of Nation's Population

► More than 100 million Americans will be helped with their income tax obligations by the Institute's 1960 Tax Information Program in the next few weeks.

Based on previous estimates and current commitments, this year's program of tax-time reminders—which again identifies CPAs as authorities in the tax field—is expected to be carried by:

- 2,000 newspapers using tax articles directed to individuals and small businessmen
- 700 radio stations featuring spot announcements
- 400 television stations showing the filmed announcements by Shari Lewis and "friends" (see cut)
- 300 local radio and television stations presenting tax panels sponsored by state societies and chapters
- 700 company employee magazines using the article, "Taxes and Your Family Records"
- 200 trade magazines publishing the articles for businessmen, "The Tax Effect of Depreciation" and "Tax Aspects of Bad Debts"

The anticipated success of the 1960 program will be due in large part to the resourcefulness of some 600 society and chapter presidents

and public relations chairmen. Their work at the local level resulted in the use of Institute material by one-third of the newspapers, half the radio stations and over three-quarters of the TV stations throughout the country last year.

Like her predecessors in the tax information program (Tex and Jinx, Garry Moore, and Tex An-



toine), Shari Lewis and her puppets will enliven the 1960 one-minute spots. A four-time Emmy award winner, Miss Lewis has enchanted audiences on appearances with Dinah Shore, Arthur Godfrey, and Perry Como.

Members from Five-State Area to Attend Spring Workshop on Building a Practice

► A two-day workshop on building an accounting practice will be sponsored by the Institute in Washington, D.C., on May 13 and 14.

Limited to 100 registrants, the workshop is designed to meet the practical problems of individual practitioners and small partnerships. Details are now being sent to members in the five-state area around Washington.

Speakers and topics for the four one-half day sessions are: How to

Expand Services to Small Clients, RALPH F. LEWIS; How to Get More Clients, R. BOB SMITH; How to Develop a Good Staff, L. C. J. YEAGER; How to Plan Your Firm's Growth, GEORGE H. HANSEN.

After this pilot run, the material developed for the workshop will be made available in other parts of the country, as in the case of the present successful course on accountants' fees. That course has now been given eighty-four times.

Underestimation of Tax Due on Form 7004 Can Cause Avoidable Interest Charges

THE committee on federal taxation recommends that caution be exercised in estimating the tax on Form 7004 when a corporation secures an automatic extension of time for filing its tax return. If the corporation plans to pay the estimated tax in installments, the first installment should not exceed one-half the estimate.

If a corporation elects to pay the estimated tax shown on Form 7004 in two installments, the regulations provide that the installment privilege is limited to the amount shown on Form 7004 and any portion of the tax not shown thereon will bear 6 per cent interest from the original due date for filing Form 1120. The tax committee recommended to the Internal Revenue Service that interest be charged on no more than the difference between the correct first installment and the first installment accompanying Form 7004. The Revenue Service held, however, that the regulations as adopted are correct and equitable.

One illustration

To illustrate the effect of the opposing views, consider the corporation which files Form 7004 on March 15, estimates its tax to be \$80,000 and remits with the form \$40,000. On June 15 the corporation files Form 1120 on which is shown a tax due of \$100,000. The corporation remits with the return

the balance due of \$60,000 (\$100,000 less the \$40,000 paid on filing Form 7004).

Under the regulations interest is due on \$20,000 — the difference between the \$80,000 estimated on filing Form 7004 and the \$100,000 due on filing Form 1120. The tax committee urged that interest should be charged only on \$10,000. If the corporation had not requested any extension and filed Form 1120 on March 15, \$50,000 would have been due at that time. Since \$40,000 was actually paid on filing Form 7004, the government has been deprived of the use of only \$10,000 for the three months from March 15 to June 15.

Is Form 7004 a return?

The tax committee believes that there is no statutory authority for charging interest on more than the difference between the correct first installment and the first installment which was paid. As a rule, in computing interest, the due date of an amount not shown on the return is the same as the due date of the first installment. The use of March 15 as a due date for amounts not shown on Form 7004 can be supported only if Form 7004 is considered a return. The tax committee stated that Form 7004 is not a return, as it is not considered a return for purposes of the statute of limitations but merely the form prescribed for obtaining the auto-

matic extension for filing corporate income tax returns.

In rejecting the tax committee's recommendation the Internal Revenue Service pointed out that the automatic extension privilege does not include an additional privilege of not reporting the entire tax on or before the date prescribed for filing the corporate return. If interest is charged only on the amount by which the correct first installment exceeds the first installment of the estimated tax, corporations electing to file Form 7004 and underestimating the tax would be treated more favorably than corporations which file their returns on Form 1120 without any extension of time and which under-report their taxes.

Importance of estimate

The Revenue Service commented that under the law the amount shown on Form 7004 must "be properly estimated." Although the statute could be construed to deny a corporation which fails to estimate its tax correctly the benefit of the extension, the Revenue Service does not believe so harsh a result was intended. However, this will not affect the determination of interest. Furthermore, the payment of more than one-half the estimated tax will not affect the computation of interest. In the above illustration, if the payment with Form 7004 had been \$50,000, the Revenue Service still would charge interest on \$20,000. It is currently the view of the Internal Revenue Service that interest charges can be avoided by a correct estimate of tax.

It is possible that taxpayers who have been affected by this interpretation may contest the validity of the regulation. For the present, care should be taken that the tax estimated on Form 7004 is not less than twice the amount to be paid with the form. If this is done the installment privilege will apply to the maximum amount possible and unnecessary interest charges will be minimized.

A Reminder to Employers

In the decade just past, Institute membership of staff men in public accounting firms has increased almost 300 per cent—from 2,100 to 7,300. To augment this representation, President J. S. Seidman has recently suggested that all employers represented in the American Institute, when offering congratulations to men on their staff who successfully complete the CPA examination, call attention to the value of membership in both the Institute and the state society.

Council to Debate Common Membership For Institute and State Societies

► A far-reaching proposal affecting the organization of the profession has been offered by the committee on long-range objectives.

The committee's recommendations are designed to achieve two major goals: first, the development by state societies and the Institute of common membership, by voluntary agreement not to admit members who do not join both organizations; second, voluntary agreement to co-ordinate procedures and activities, and delineate respective areas of responsibility to minimize duplication of effort and expense.

The recommendations were made in the committee's report to Council for consideration at its spring meeting. It further recommended that if Council adopts the objectives, the committee on co-ordination with state societies be requested to study — in consultation with

the state societies — possible means of implementation. Detailed recommendations from this joint study would then be submitted to Council in the spring of 1961.

The report was signed by Chairman (1958-59) J. S. Seidman, Herman W. Bevis (chairman 1959-60), Robert M. Trueblood, and Robert E. Witschey.

State Executives Meet in N.Y.

► Future relations between state societies and the Institute was the major topic under discussion at the midwinter meeting of the State Society Executives Association held early this month in New York City. Twenty-six full- and part-time executives attended the two-day session, making it the largest meeting held to date.



An educational foundation in memory of the late R. Warner Ring, former vice-president of the American Institute, has been established by the Florida Institute of CPAs. It will be devoted to encouraging educational programs and other projects designed to advance the profession's standards. CPAs active in organizing the memorial are shown above (left to right): R. L. Barnes and William Bond, co-chairmen of the planning committee; T. E. Triplett, president of the Florida Institute and member of the Foundation's Board of Trustees; Clifford C. Beasley, Board secretary and Florida Institute managing director.

Favorable Vote is Forecast For Bylaw and Rule Changes

► An amendment to the bylaws and a change in the rules of professional conduct appeared certain of passage with advance ballots running better than four to one in favor as this issue went to press.

The membership is being asked to vote on a proposal to shift to Council the authority for setting the dues structure, and an amendment to Rule 10 banning publication of "cards."

Over 15,000 ballots have already been tabulated. To be adopted, the changes must be approved by two-thirds of those voting, and one-third (11,700) must participate. Ballot deadline is February 2.

Techniques of Cost Control Covered in New Publication

► CPAs serving small business clients will be helped by a review of techniques for the control of costs contained in the latest bulletin on management services by CPAs.

Cost Reduction and Cost Control in the Small Business is confined to two elements of the subject: the development of a formal cost reduction program; and the use of cost analysis. Both involve techniques which CPAs can readily master and apply to the operations of many smaller clients.

Over 5,500 subscriptions to the first series on management services by CPAs have already been received. The first three bulletins covered the concept of management services, budgeting for profit, and financing the small business.

The current bulletin, scheduled for release early next month, includes case studies illustrating how CPAs have successfully applied simple costing techniques.

The present series will be concluded with a bulletin on techniques of office administration for the small business, due in late spring. Price of the five bulletins is \$10.

QUOTES

Educational responsibilities

The primary responsibility of the firm, as I see it, is to encourage each individual member to make maximum use of every opportunity for improving his education. This may take several forms. Many firms provide libraries or other files of information of current importance. Most offices subscribe to the professional journals. Just recently facilities have been provided for organized training for smaller accounting firms through the American Institute. Many firms encourage all staffmen to take the CPA examination by giving time off for study, paying the initial cost of sitting for the examination, and in some cases applying a little duress by making promotion contingent on satisfactory completion of the examination. Organized staff training meetings are valuable. Perhaps the most effective of all training is that received "on the job" under a skilled supervisor.

The primary responsibility, however, rests, and must always rest, with each of us as individuals. No amount of suggestion, encouragement, or even force can make a man learn or develop his profes-

sional capacities if he is not really interested in it. A man who is not a "self-starter" or who lacks ambition to improve his own abilities, and thereby to strengthen the accounting practice of which he is a part, has only a limited potential in the public accounting profession. I would like to mention three areas in which we could follow a program of personal improvement. These are (1) improving our technical proficiency, (2) improving our knowledge of general business and economic conditions, and (3) enlarging our knowledge of the world in which we live.

J. R. JONES
The Georgia CPA

Institute's annual meeting

The best means of promotion, of obtaining new clients, is in doing a good job for present clients. I sincerely believe that the widened horizons, new ideas, understanding and perspective available through the annual convention help materially in doing a better job. It is a necessary part of continuing education and professional development. Attendance is particularly valuable to the local practitioner.

T. K. RIDDIFORD, President
The Minnesota CPA



New York City in 1962 will be the site of two major accounting meetings when the 8th International Congress of Accountants coincides with the Institute's 75th Anniversary and annual meeting. Above at a meeting for the 8th Congress (l. to r.): Alan S. MacIver, England, Secretary of the 6th Congress; J. Kraayenhof, the Netherlands, President of the 7th Congress; and Arthur B. Foye of the U.S., planning chairman for the 8th Congress.

LETTERS

Committee work praised

ED. NOTE: *The following is an extract from a letter to Percy Rappaport from Budget Director Maurice H. Stans.*

It has been called to my attention that we are celebrating, this week, the first anniversary of the organization of your Committee on Federal Budgeting and Accounting, and I want to take an opportunity to say to you and to your associates on the Committee how much we appreciate your efforts and your assistance.

As we look back across the last twelve months, several things stand out. High amongst these is the work which you did with the freshmen members of Congress toward the end that they might be better informed with regard to cost-based budgets and the underlying accrual accounting techniques. I think that although there can be no measurement of the value of this undertaking, it is certain that it has done much good and provided the basis for further understanding on the Hill. I wonder if your Committee might not consider carrying on more of such work in the future.

MAURICE H. STANS
Director, Bureau of the Budget
Washington, D.C.

Action from within

I know that you will identify me as one who believes we are living through a management revolution, the result of which will be a significant change in both the technology and the attitudes of our profession. Accounting, as such, and as it is frequently practiced, may possibly die as a unique discipline in our time. Accounting, in my view, will become in large part simply one of many or several tools or disciplines. . . .

I feel it only natural that the impetus for change in the direction of our activities does not seem to be coming from within the profession. I think it quite reasonable and logical that the greater pres-

sure is coming from outside the profession. But the fact remains that unless our profession adjusts itself to new thinking, new technology, and new attitudes — the business community will tend to find these talents in places other than our profession.

There are many facets of concern and responsibility to the Institute in this matter. . . . The Institute and its members should lead, rather than be led . . . should look ahead to the problem of revising curricula and educational processes to accommodate the requirements of those who will be the leaders in the profession twenty and thirty years from now. Further, from a public relations point of view, we should be concerned about educating the business community to our consciousness of these imminent changes, lest we be regarded as either a derelict or a backward group.

ROBERT M. TRUEBLOOD
Pittsburgh, Pa.

Membership information program

Council members are supposed to keep their constituents informed, but I think this is not being done effectively. Perhaps it would be possible to have a committee of Institute speakers who would be available to talk on most any subject but mostly on what is going on nationally in our profession. Members of this group should be on call to address state and chapter groups, and probably should be assigned to areas away from their home states.

ELMER G. BEAMER
Cleveland, Ohio

Ed. Note — Such a program is now in operation (see September CPA).

Professional development

The program of education which the Institute is carrying on at the present time is one of the finest things it could possibly do for the members. . . . I urge that the Institute continue and expand its activities along these lines.

WINSTON BROOKE
Anniston, Ala.

FROM THE EXECUTIVE DIRECTOR

JOHN L. CAREY



A Problem of Relationships

RELATIONS between CPAs and noncertified accountants are a touchy subject, but one which cannot be ignored. The two groups have found themselves meeting in public hearings before state legislative committees, Congressional committees, the Treasury Department, and other government agencies. So they will have relations, good or bad.

In deciding what they would like these relations to be, both CPAs and noncertified accountants have to face the facts of life, in addition to considering their immediate self-interest.

A basic fact of life is this: in the foreseeable future neither the Treasury Department nor the courts are going to give any group a monopoly of preparing tax returns, doing write-up work, or rendering various accounting services to management. In whole or in part these fields are legally open to CPAs, lawyers, licensed PAs, bookkeeping services, management consultants, and part-time operators variously described. Nothing can be done about it — at least not for a long, long time.

On the other hand, the courts will protect the title "certified public accountant" and under regulatory laws will bar the use of similar titles indicating professional qualifications in offering accounting services to the public — with one exception. Persons who have been allowed to practice under the title of public accountant have a legal and moral right to continue to use that title during their lifetime. When a regulatory law is passed, they are enrolled to continue practice as public accountants, but no one else thereafter can assume that title.

When laws are passed requiring audits, the question always arises as to who should make them. The Institute argues that only competent and responsible persons should be acceptable — and generally only CPAs have formally demonstrated competence by examination. But there is strong opinion in Washington that public accountants licensed by their own states under regulatory laws must be accepted as responsible since their licenses are subject to revocation for malfeasance.

Recognizing this as a fact of life, the Institute has decided not to

Continued on next page

oppose legislation providing that audits may be conducted by "independent certified public accountants or licensed public accountants, in accordance with generally accepted auditing standards."

It also seems realistic to co-operate with public accountants legally permitted to practice as such, in an effort to develop common technical and ethical standards. If competition is inevitable, why not keep it on a high plane?

Conversations with the National Society of Public Accountants have been initiated to discuss these matters.

This does not mean that compromises on legislative policy are in the offing. The Institute stands firmly opposed to reopening the registration of "public accountants" in states where regulatory legislation has already been enacted; and opposes also

the continual registration of a second class of public accountants.

But it is also a fact of life that the public has a right to expect CPAs to take active leadership in efforts to improve the quality of accounting service at all levels. CPAs will not gain respect by turning their backs on all others legally engaged in the accounting function. To the extent that friendly, reasoned discussions can replace hostile demonstrations, all concerned will be greatly benefited.

OBITUARIES

(Membership date in parentheses)

PHILIP AXELROD ('53), 43, own account, Northbrook, Ill.

RUSSELL COLEMAN ('44), 49, Muren and Company, St. Louis, Mo.

SPENCER E. DEAL ('36), Marsh Foodliners, Inc., Yorktown, Ind.

WAYNE D. FREDERICK ('49), 55, Ernst & Ernst, Canton, Ohio.

JOHN LUYSTER ('49), 54, S. D. Leidesdorf & Co., New York, N.Y.

WILLIAM J. PIEPENBRINK ('22), Piepenbrink and Kron, Portland, Ore.

ARCHIE F. REEVE, SR. ('21), 70, Archie F. Reeve & Company, New York, N.Y.

SAMUEL RICHMOND ('49), 64, Richmond and Wolman, Passaic, N.J.

FREDERICK A. SCHUTTE ('47), 58, Schutte & Williams, New York, N.Y.

THEODORE W. TOWNSEND ('40), 64, Peat, Marwick, Mitchell & Co., Minneapolis, Minn.

ROY LEE WALLACE ('48), 54, own account, Gadsden, Ala.

ALVIN T. WILKINSON ('39), 75, Ernst & Ernst, Boston, Mass.

W. ERNEST WILLIAMS ('49), 40, Williams & Nulle, Anacortes, Wash.

CPA

THE CERTIFIED PUBLIC ACCOUNTANT

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CPA

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February 1960

**Who really runs the Institute?
President Seidman answers
the question on page 3.**

**Early action expected on
Keogh bill in Senate
Finance Committee (page 6).**

**Subjects for first six projects
in new accounting research
program selected (page 4).**

**NSPA agrees to moratorium on
legislation during joint
negotiations with Institute
representatives (page 2).**

**Variety of views expressed
on membership's rejection of
amendment to Rule 7 (page 6).**

More Reliance on Independent Audits Revealed in New Action by Congress

A MINOR bill of major significance to the accounting profession passed the House of Representatives last month.

It was H.R. 5789 to grant a Federal charter of incorporation for an Agricultural Hall of Fame. Like scores of similar measures, the bill contains a provision for an independent audit.

The Institute has long advocated greater reliance upon certified public accountants in such situations. But, in a memo sent to interested members of Congress, it has emphasized that laws designed in part to ensure the submission of reliable financial data must be carefully drawn. Otherwise, as the memo says, "they may simply create the illusion that proper financial controls have been imposed when, in reality, no such controls have been applied."

How can effective controls be applied?

The Institute's memo to Congressmen has underscored two points:

1. "It is not enough just to require 'audits' by independent accountants. The term 'audit' alone has no single, precise meaning. It must be defined. The omission of a descriptive phrase is almost certain to produce confusion about the scope and intensity of the work to be performed. Or it might invite evasion of the intent of Congress. An easy way to avoid these risks is to specify in the legislation that

the required audits must be performed in accordance with 'generally accepted auditing standards.' That phrase . . . has a definite meaning both for professional accountants and for the courts."

2. "An audit can be no better than the competence and integrity of the person who performs it. The most widely recognized evidence that a person has those qualities is his possession of a certificate as a 'certified public accountant.'"

These arguments have undoubtedly impressed a good many Congressmen. But politics, being the art of the possible, often leads to compromises. The history of the audit provision in the Agricultural Hall of Fame bill is an enlightening case in point.

Audit provision under fire

The original provision required that the corporation's audit be conducted by a CPA in accordance with "the principles and procedures applicable to commercial corporate transactions."

The provision was immediately attacked on two fronts.

The General Accounting Office, whose advice on such matters carries considerable prestige in Congress, contended that the audit definition was deficient. The committee studying the bill readily agreed to an amendment. In its report on the measure, the committee said: "It is believed that the term 'in accordance with generally accepted auditing standards' is more comprehensive and is a term which has been given specific meaning by the American Institute of Certified Public Accountants."

The exclusive reliance on CPAs was also sharply challenged. In its report, the House committee took note of some of the objections raised by the GAO and others: "Many states have a dual licensing system which recognizes both certified and non-certified public accountants. In addition, many of the large national firms practice as public accountants rather than as

certified public accountants. The committee is of the view that permitting audits to be performed only by certified public accountants is too restrictive." The bill was then amended to require the audits to be conducted by "independent public accountants of recognized standing."

The Institute was quick to point out that this vague phrase meant that virtually anyone might perform the audits. Its spokesmen continued to emphasize that only CPAs had met an objective test of competence; but, in accordance with an earlier policy decision of the executive committee, they indicated that the inclusion of licensed public accountants would not be opposed. The competence of the licensed accountants, as a class, had not been objectively tested; but they were at least subject to professional discipline under the state licensing statutes.

The GAO concurred with this approach, and a committee-backed amendment to substitute certified and licensed public accountants for "accountants of recognized standing" was adopted on the House floor.

Implications for the future

The enacted bill in itself may be of little import; but it has significant overtones.

1. It reflects a growing recognition on the part of Congress that independent audits are essential in achieving adequate financial controls.

2. It provides evidence of Congress' realization that standards governing the auditors and the audit must be included in the legislation.

3. It indicates that there is increasing unanimity in the views of the Institute, the GAO, other executive agencies and the Congress on how these audit provisions should be written. The Institute is steadily at work to encourage further that growth in mutual understanding.

Legislative Moratorium Agreed to by NSPA

► An effort to halt conflicts over accountancy legislation is being undertaken by the American Institute and the National Society of Public Accountants.

A decision to seek such a "moratorium" was reached at a joint meeting of co-operating committees of the two organizations in New York City on January 16.

Pending the outcome of further discussions, the NSPA is urging its state affiliates to refrain from trying to reopen the registration of public accountants in regulatory states. PA bills have already been withdrawn in two states.

The conflicting legislative policies of the two organizations will be explored by three-man committees of both groups at a meeting in Chicago on February 20. Representing the Institute will be Robert E. Witschey, chairman, Edwin W. Norberg and E. Waldo Mauritz.

The meeting in New York was held at the suggestion of the American Institute to implement a Council recommendation that CPAs maintain friendly relations with public accountants, in order to improve educational, technical and ethical standards and to provide aid in fulfilling the requirements for the CPA certificate. Since the phrase "public accountants" refers only to persons permitted to use that title under the laws of their states, the policy does not authorize Institute representatives to co-operate with NSPA members who are not licensed under the regulatory laws of their states.

After deciding to refer the legislative issues to subcommittees, the full committees discussed other matters of joint interest, including education, ethics, the CPA examination, public relations, and Washington affairs. Any co-operative activities which might result from these discussions were understood to be contingent on the subcommittees reaching a satisfactory solution of the legislative problems.

FROM THE PRESIDENT

J. S. SEIDMAN



Who Really Runs the Institute?

EACH year several thousand new members come into the Institute fold. It will help them become immediately at home to know how the Institute is run. It won't hurt the old-timers, either, to renew acquaintances with the Institute facts of life.

There are four basic pivots: (1) the Council; (2) the executive committee; (3) the officers and committees; (4) the staff.

The Council corresponds to the Congress in our Federal government. It is the law-making, the policy-making body. The Council draws its numbers, primarily by state lines, from two sources: elected representatives and automatic representatives.

The elected representatives are chosen by the membership at the annual meeting. A state is entitled to an elected representative for each five hundred Institute members in that state. In addition, the state society president is automatically a member of Council.

Getting away from state lines, there are nine representatives elected "at large." Finally, the six current officers and all past presidents of the Institute are automatically on Council.

Council representation

At present, Council consists of 186 members, 96 elected on state lines, 9 elected at large, 52 state society presidents, and 29 current officers and past Institute presidents.

A body of 186 from all over the country cannot be in session with sufficient frequency and duration to handle efficiently all the matters that need attention. Council, there-

fore, meets only twice a year. Meanwhile, Council deputizes, from its own ranks, thirteen to act as an executive committee. Six are current officers, and seven are elected by Council. The executive committee meets about every seven weeks. It reports to Council and can be overridden by Council.

So much for policy making. Now for carrying out the policy and running the store, so to speak. This starts with the officers. As mentioned, there are six officers — the president, four vice-presidents (generally one from each region of the country), and the treasurer. The officers are elected by the Institute membership at the annual meeting.

Role of committees

Obviously, six officers cannot alone carry the tremendous burden. Committees come to the rescue. Some committees deal with policy as well as implementation. The president creates and appoints most of the committees, though some dealing with critical areas are elected by Council. At present there are 76 committees with an aggregate membership of 1,332.

And then there is the paid staff, now numbering 138. The staff is headed by the executive director. He is elected by Council for only a one-year term. The staff has no policy function whatever, though it may make recommendations; its responsibility is to execute policy.

Names for Council members and officers are proposed to the membership by a nominating committee. There are seven on the nominating committee — two elected by Council and five by the member-

ship. Before making nominations for Council, the nominating committee sends cards to all members in the respective states, asking for recommendations.

That's about it. Note that there is no palace guard, no group of "insiders." Council, executive committee, officers and committees come from all over the country and from all classifications of CPAs.

Every now and then there are whispers that the Institute is in the hands of the national firms. The following current statistics should scotch that:

	Total	National Firms
Council	186	39
Executive committee	13	5
Officers	6	2
Committee chairmen	75	32
Committee members	1,332	270
Nominating committee	7	1

Does the staff run the show? The executive director has the privilege of the floor at Council and executive committee meetings, but he has no power but persuasion. Authority and responsibility for policy are vested elsewhere.

Is the president the works? The president must respond and conform to set policy. He is not on his own.

The ultimate source of all responsibility and action is the membership itself. Council, the executive committee, the officers and committees, the staff all have certain authority, but it is authority delegated, voted, or confided by the membership. In the last analysis the membership can always play the trump card of power, by changing the governing group through the ballot. That is as it should be in any healthy, democratic organization.

Who then runs the Institute? You do.

First Six Subjects Chosen for Study in New Accounting Research Program

► The first projects in the new expanded program of accounting research have been selected. The six subjects are: accounting postulates, basic accounting principles, business combinations, and accounting for income taxes, long-term leases, and nonprofit organizations.

According to Acting Director Perry Mason, negotiations are under way with prominent certified public accountants throughout the nation who will undertake the major responsibility for these projects. In addition, Dr. Mason is recruiting research assistants to work on the projects in the Institute's New York offices.

Formal announcements and descriptions of these projects, including invitations to participate by submitting suggestions and material for the use of the research staff, will be published in an early issue of THE JOURNAL OF ACCOUNT-

ANCY and otherwise be given wide distribution.

In seeking research staff members, Dr. Mason early this month visited five universities, University of Michigan, University of Chicago, University of Illinois, Indiana University and Ohio State University. On his trip Dr. Mason interviewed senior faculty members regarding project assignments, and also interviewed applicants for research assistant positions.

The research program is expected to swing into high gear in June, when most applicants for staff positions will be available.

The results of study in these six significant areas will be published in monograph or pamphlet form. "At a later date," according to Dr. Mason, "the accounting principles board will presumably issue formal statements based on the results of the studies."

Judge Requires Audits by Members of Institute

► A Federal judge has ordered that twelve locals of the Teamsters Union be audited by CPAs, and specified that the auditor or firm selected be members of the American Institute.

Under the terms of a decision from the United States District Court for the District of Columbia, Judge F. Dickenson Letts ordered the union to provide the supervising monitors all audit and monthly reports of the trustee locals for 1958-1959.

The decision authorized the monitors to decide whether the auditors engaged by the locals were of proper competence and independence. It further required that auditors be Institute members and that their independence be judged in accordance with the rules of the SEC and the Institute's rules of professional conduct.

Sites and Dates Selected for Junior Staff Training Course

Response to the announcement of the staff training program for junior accountants has justified naming dates and places for the course's first offering.

AUGUST 1-12, 1960

Purdue University ... Lafayette, Ind.
Syracuse University ... Syracuse, N. Y.
University of California
Santa Barbara, Calif.

AUGUST 22-SEPTEMBER 2

University of Georgia ... Athens, Ga.
University of Texas ... Austin, Tex.

With some 20 per cent of firms and practitioners replying to the initial announcement, over 200 have agreed to send some 300 men. The new course which covers 10 full-day sessions is one of the major projects for 1960 in the Institute's professional development program.

The course is primarily designed to cover the assignments which are usually given to junior staff men in their first two years in public accounting. Major emphasis is given to audit and tax assignments, as well as nonopinion report assignments.

The \$275 cost of the program is all inclusive, covering registration, room and board, and all course materials. To date advance registration is approaching the limit at Syracuse and Purdue.

A full description of the course will be announced later this spring.

Uniformity of Incorporation Requirements Sought

► A set of practical accounting and financial provisions for use in the development of future corporate statutes is the goal of a new Institute committee.

The committee on uniform accounting provisions of state corporation laws will make recommendations to the executive committee

Professional Development Course offerings in April

REPORT WRITING

- Boston, Mass.: Wednesday evenings, April 6 through May 25. Send \$35 registration fee to Massachusetts Society of CPAs, 44 School Street, Boston, Mass.
- Greenville, S. C.: Monday and Thursday evenings, April 25 through May 23. Send \$20 registration fee to William P. Harris, P.O. Box 906, Greenville, S. C.

ACCOUNTANTS' FEES

- Boston, Mass.: Saturday, April 23. Send \$25 registration fee to Massachusetts Society of CPAs, 44 School Street, Boston 8, Mass.
- Dallas, Texas: Saturday, April 23. Send \$25 registration fee to Texas Society of CPAs, 510 Tower Petroleum Bldg., Dallas 1, Tex.

aimed at eliminating some of the diversity in the accounting and financial provisions now included in various state corporation statutes.

State societies assisting legislative bodies and bar association committees in revision of accounting provisions in corporation laws may call on the Institute and its new committees for advice.

In the past decade about a dozen states substantially revised their business corporation laws to clarify and resolve conflicting judicial interpretations, and to attract new businesses. Nine of these states adopted the Model Business Corporation Act (prepared by the American Bar Association); others adopted a number of the act's provisions. Institute representatives worked with the American Bar Association in developing sections of the Model Act affecting accounting.

The areas that are of special concern to the new committee are those that have accounting implications—dividends, surplus, reserves, distributions, partial liquidations, restrictions on redemption or purchase of redeemable shares, cancellation of shares, reduction of stated capital, and convertible shares. The sixteen members of the committee, under the chairmanship of Miles L. Lasser, have been divided into subcommittees to study each of these areas.

Membership Approves Bylaw Amendment and Rule Change

► By a three-to-one margin, members have approved the bylaw change shifting to Council the authority for setting the dues structure. The exact vote was 13,987 in favor, 3,990 opposed.

On the same ballot the membership also approved an amendment to Rule 10 of the Rules of Professional Conduct, banning publication of "cards" by 12,984 to 4,951.

The bylaw change will take effect on September 1. The rule amendment's effective date was February 2, the ballot deadline.

NEWS NOTES

► Detailed specifications of national pension plans for practitioners and staffs will be submitted to the Institute's legal counsel soon. The national pension plan committee, headed by Ira A. Schur, hopes to have the program in operation by late spring.

► The new Institute committee on relations with the Rural Electrification Administration held its first meeting in Washington, D.C. REA officials met with the group to explore mutual problems—including the quality of audit reports submitted to the agency. REA is one of the Government agencies which requires CPA audits from most of its borrowers.

► Executive Director John L. Carey is author of "Professionalism Is Good for the Public," in the January *Public Relations Journal*. The article is based on Mr. Carey's address last year to the New York chapter of the Public Relations Society of America.

► The committee on relations with the ICC met last month with the Director of Bureau of Accounts to discuss accounting matters affecting railroads. Specific topics under discussion were employee pensions and benefits, vacation pay accruals, handling tax refund claims, and amortization. Consideration was also given to variations from generally accepted accounting principles of motor carrier regulations.

► At the request of the Buffalo chapter, 125 copies of "Advising Clients on Site Selection" by William N. Kinnard, Jr., were mailed to the local chamber of commerce. Copies of this reprint from *THE JOURNAL OF ACCOUNTANCY* (August '59) are available on request.

► "CPA," the new Institute recruiting film, is currently booked through April. Requests for showings should be made well in ad-

vance, in case additional prints must be ordered.

► The March issue of *The Library Journal* carries an annotated bibli-



Mr. Cutting

ography of basic accounting books for public libraries. The list is contained in an article prepared at the request of *The Library Journal*, and selected by the advisory committee on recruiting personnel under the chairmanship of Warren B. Cutting. The titles chosen represent those books most useful to the general public.

► A meeting of the new committee on co-operation with trade associations, held in Washington, D.C. last month, marked the first step in a large-scale Institute program. Prior to the meeting Committee Chairman Fladger F. Tannery met with representatives of American Society of Association Executives and the U. S. Chamber of Commerce, two national organizations whose membership includes almost every major trade association in the U. S. The committee reviewed current relations with these groups on the national and local level, and considered long-range plans for a study of accounting problems common to most trade associations, as well as provision of technical speakers from the accounting profession for major meetings of national trade associations.

► A definition of doing business and rules for allocation and apportionment of income were the principal problems assigned to members of the new committee on uniform state tax provisions. Committee members were asked to prepare memoranda for consideration at group's second meeting in Memphis, April 29.

Action by Self-Employed May Bring Tax Equity

► The next few days may decide the fate of the ten-year struggle to achieve tax equity for the self-employed.

As this issue goes to press the Senate Finance Committee is expected to vote at any time on H.R. 10 — the Smathers-Morton-Keogh-Simpson bill to permit annual deferment of taxes by self-employed on limited amounts of income set aside for retirement purposes.

All members are requested to write or wire their senators urging support of this measure. Most important are these members of the Senate Finance Committee:

Delaware: J. ALLEN FREAR, JR. (D)
Delaware: JOHN J. WILLIAMS (R)
Florida: GEORGE A. SMATHERS (D)
Georgia: HERMAN E. TALMADGE (D)
Illinois: PAUL H. DOUGLAS (D)
Indiana: VANCE HARTKE (D)
Kansas: FRANK CARLSON (R)
Kentucky: THRUSTON MORTON (R)
Louisiana: RUSSELL B. LONG (D)
Maryland: JOHN M. BUTLER (R)
Minnesota: EUGENE MCCARTHY (D)
Nebraska: CARL T. CURTIS (R)
New Mex.: CLINTON P. ANDERSON (D)
Oklahoma: ROBERT S. KERR (D)
Tennessee: ALBERT GORE (D)
Utah: WALLACE F. BENNETT (R)
Virginia: HARRY FLOOD BYRD (D)

LETTERS

Varying views on Rule 7

ED. NOTE: In the December CPA, John L. Carey called the rejection of an amendment to Rule 7 ("a member shall not perform any services for a client of another public accountant without prior notice") a setback to higher standards. Following are examples of membership opinion on the matter:

Those who are aware of the unwritten rule and have practiced it in the past will, I believe, continue to do so in the future and preserve their good manners. But a great number of certified public accountants are either unaware of the mannerly rule or choose to completely ignore it.

I am one who feels that . . . the whole question will be resolved with credit to the profession in the not too distant future.

CHARLES S. LOWRIMORE
Wilmington, N.C.

. . . we need to develop an attitude of courtesy to the point where we will not make disparaging or discourteous remarks about a predecessor on any job. If accountants do not speak well of one another,

how can they expect the public to maintain respect for the profession as a whole?

On the question of whether to notify a predecessor when one is called in on a new assignment, we should always keep in mind the possibility that a new accountant might be called in simply because the client is trying to maneuver a deal which the predecessor would not condone.

Certainly we need the rule and the Institute committee should not give up at this time.

J. HARLON RIGGINS
Greenville, S. C.

I sincerely believe that this amendment . . . would end up as a pious declaration of high principles which, being disregarded, would dilute the authority of more important rules.

In twenty years of practice I have never accepted an engagement of any consequence without communicating with the former accountant in all appropriate cases. This is not only a matter of professional courtesy but one of pure self-interest. It has worked for me several times in avoiding unpleasant situations. There have been other times when I could have given a word of caution to a succeeding accountant if he had bothered to ask.

This proposal must surely have received many negative votes from members who, themselves, follow this practice scrupulously. If we are honestly convinced that a change would accomplish the desired ends, we will change our vote.

GORDON JONES
Mattoon, Ill.

I do not agree with Mr. Carey's conclusions in "A Setback to Higher Standards."

I do not believe that legislating "a matter of good manners" is indicative of professional stature. The



Twenty-seven full- and part-time executives participated in the tenth annual Conference of State Society Executive Secretaries held last month in New York. Present at the meeting were: F. Willard Heintzelman, Pennsylvania; Jeannette Cochrane, Illinois; Clifford C. Beasley, Florida; Agnes L. Bixby, Massachusetts; Harold P. C. Howe, New York, and Robert R. Bangham, Ohio.

acceptance of the term "profession" is not accomplished by legislation.

C. F. REITZ
Alpena, Mich.

What do you think of communicating this proposal to the membership at large when the Council members meet with the various state societies and chapters?

FRED ROHN, JR.
Newark, N. J.

Mr. Carey writes, "I have had a great deal of correspondence which leads me to believe that many people voted against it because they thought it would be difficult to enforce. This reflects a point of view different from the one I've always held—that the code of ethics is a statement of principles to guide proper professional conduct. On that basis every important principle ought to be stated, even though it may be difficult to detect those who violate it."

The Institute and the SBA

ED. NOTE: *On his retirement last fall the first administrator of the Small Business Administration wrote as follows on his office's relations with the Institute and its small business committee under John M. Stoy, Washington, D.C.:*

I enjoyed our association during the past several years, and all of the relations I have had with CPAs during my public experience have been helpful and pleasant. The work of your members in their profession gives them an insight into the work of Government agencies by reason of their familiarity with procedures and legislation. . . .

Since I am retiring, I hope you will find some way to convey how grateful I am for the assistance received from the public-spirited members of the committee of CPAs who so helpfully served in connection with the launching of the Small Business Investment Act and in many other matters.

WENDELL B. BARNES
Washington, D.C.

FROM THE EXECUTIVE DIRECTOR

JOHN L. CAREY



Who Recognizes the CPA?

HOW CAN the public be educated to distinguish between the CPA and others rendering various types of accounting, bookkeeping and tax services?

For more than twenty-five years the Institute has been working hard to solve this problem. Yet scores of letters from members in the past few months urge that more should be done.

What can be done?

1. CPAs should stop referring to themselves as "accountants," "auditors," "public accountants," or (humorously) "bookkeepers." A small survey in one community showed that most leading citizens *did know* the difference between CPAs and other accountants, but *did not know* which accountants in the community were CPAs.

2. Each CPA should see to it that every client, every banker and every lawyer of his acquaintance is informed of the educational, experience, examination and ethical requirements underlying the CPA certificate. This is best done by word of mouth, but the Institute can furnish materials for mailings to clients, if desired. A survey of bankers in smaller cities showed that a high percentage *do know* what a CPA is, but some still do not. Many lawyers also should know more about CPAs.

3. State laws ought to be amended to permit national firms, whose audit reports go to millions of stockholders, to describe themselves as "certified public accountants" if all partners resident in the state are CPAs of that state and all other partners are CPAs of some state. Variations among state requirements have forced these firms in many instances to sign their opinions as "accountants and auditors" or some similar term.

4. CPAs making speeches should always work in some brief allusion to the requirements for the CPA certificate.

The Institute will continue in its public relations work to stress the qualities which distinguish a CPA. But experience suggests that the surest way for people to recognize these qualities is to observe them firsthand in CPAs themselves. This can be done only if people can distinguish the CPAs of their acquaintance from other accountants they may know.

We will help state societies and individual members all we can in this basic task. Will you do your part of the job? Please let us know how you proceed, and with what results.

MEMBERS IN THE NEWS

SAM B. TIDWELL, Michigan College of Mining and Technology and a member of the Institute's committee on public school accounting, has written the first comprehensive text applying accounting principles and practices to public school districts. *Public School Fund Accounting* (Harper) was published early this month.

WILLIAM B. JENCKS of Ohio State University is the author of the recently published *Auditing Principles* (McGraw-Hill).

The Tax Institute, national research group, has elected a new president, RUSSELL C. HARRINGTON, former Commissioner of Internal Revenue.

The Citizens Budget Commission presented its award for high civic service to SAMUEL D. LEIDESDORF of New York, who "symbolizes nonpartisan service to the community."

OBITUARIES

Former vice president dies

Charles F. Rittenhouse of Boston died January 17 at the age of 79. He was formerly senior partner of the accounting firm of Charles F. Rittenhouse & Co., head of the accounting department of Boston University, and a member of the faculty of Simmons College.

An Institute member since 1916, Mr. Rittenhouse had served as vice president (1936-37), chairman of the budget and finance and professional ethics committees, and was an active member of many other committees.

(Membership date in parentheses)

H. ARTHUR BASHIER ('41), own account, Winterport, Me.

EDWIN F. CHINLUND ('23), 69, R. H. Macy & Co., New York, N. Y.

CHARLES H. CORNELL ('16), 69, own account, Needham, Mass.

STEPHEN GILMAN ('22), 72, International Accountants Society, Inc., Chicago, Ill.

JOHN J. GORDON ('51), 50, own account, Denver, Colo.

JOSEPH P. MEYER ('49), 49, Meresman, Meyer & Company, New York, N. Y.

HAROLD A. MILLS ('26), own account, Detroit, Mich.

GEORGE E. NUNN ('47), 44, own account, Dayton, Ohio.

BENJAMIN C. RHODES ('33), 67, own account, Troy, N. Y.

WILLIAM R. ROGERS ('43), 66, Walker, Rogers & Company, Norfolk, Va.

E. R. SHELDON ('29), 76, Sheldon, Curry, Canning & Wells, St. Petersburg, Fla.

CHARLES H. THWAITES ('47), 57, U.S. Rubber Co., New York, N. Y.

GEORGE A. WILSON ('34), 67, Patterson, Teele & Dennis, Boston, Mass.

HAROLD K. WOOD ('32), 65, own account, Hollywood, Calif.

CPA

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CPA

March 1960

Louis H. Pille heads slate of new officers nominated for 1960-61 (page 6).

Moonitz appointed first Director of new Accounting Research program (page 4).

Should CPAs expand practice into area of personal financial management? (page 7).

Treasury reported accepting principle of Keogh-Simpson bill (page 6).

Institute expresses opposition to tax bills changing 90-day letter procedures in assessing additional tax (page 4).

New Dues Structure to be Proposed At Spring Meeting of the Council

A COMPLETE revamping of the American Institute's dues structure — involving both upward and downward adjustments — will be proposed to the four-day spring meeting of Council in May.

The decision to recommend the changes was made by the executive committee at its meeting in Kansas City, Mo., on February 25-26. This action followed the submission of a report by a special subcommittee of the executive committee which has been conducting an intensive year-long study of the Institute's finances. Members of the subcommittee were L. H. Penney of California, immediate past president of the Institute, William P. Hutchison of Oregon, and Thomas H. Carroll of Pennsylvania.

The Council was empowered to set the dues by a by-laws amendment which the membership recently approved in a mail ballot by substantially more than the required two-thirds majority (13,987 to 3,990). Any change in the dues structure authorized by the Institute's governing body at its spring meeting would become effective at the beginning of the next fiscal year on September 1, 1960.

In its report, Mr. Penney's subcommittee noted that the new expanded accounting research program is expected to cost more than \$150,000 a year and possibly as much as \$250,000 when it is in full operation. The subcommittee is convinced that the program cannot be carried by the dues structure and will recommend that efforts be undertaken to finance it through individual contributions to the

American Institute of Certified Public Accountants Foundation.

Even if the research program were largely financed by voluntary contributions, however, the subcommittee indicated that additional dues income had become imperative to avoid continuing deficits.

Major reasons for financial needs

It attributed the need for increased revenue to two major factors:

1. The expansion of the Institute's services during the seven-year period since the last dues adjustment in response to member demands — including activities in the field of personnel recruiting, the establishment of the Washington office to advance the profession's interests there, the launching of a continuing education program, the defense of the CPA's rights in the tax field, and public relations efforts to gain further public recognition of CPAs as professionally qualified experts in accounting.

Under the subcommittee's proposal, the projects on the economics of accounting practice and management services would be incorporated in the Institute's regular budget, and the products of the research in both areas would be sent without charge to members. Both projects are now financed largely by income from sales.

2. Inflationary pressures which have steadily increased the cost of many of the Institute's regular activities — salaries, paper, printing, equipment, travel, rent, etc.

With the approval of the executive committee, Mr. Penney's subcommittee will recommend to the Council that minor dues increases and decreases — depending on the age of the member's CPA certificate — be adopted for those not in public practice and for partners and principals who have held their certificates for less than seven years. Larger increases will be proposed for partners and principals who have held their certificates for longer periods, particularly over ten

years. The recommended over-all increase for partners and principals would average about 25 per cent.

The subcommittee expects the adjusted dues schedule to provide a sufficient annual income for at least a period of several years.

The subcommittee's full report will be sent shortly to members of Council to enable them to discuss the proposals with the membership in advance of the next meeting.

The review undertaken by Mr. Penney's subcommittee is the third in a series of studies of Institute operations which has been conducted in the last eighteen months. The first of these studies was made by a special committee of management service experts which examined the administrative functions of the Institute. It reported to the fall Council meeting that the Institute was managed with a high degree of efficiency and that no substantial economies could be achieved in its operations — though the committee did offer some sug-

gestions for improving office procedures which for the most part have been put into effect.

Another subcommittee reviewed the Institute's activities and services to determine whether any of them might be abandoned or curtailed. It submitted a list of projects which might be sacrificed if inadequate funds compelled a retrenchment; but it warned the Council that such action would seriously impair the value of the Institute to its membership.

New research program

In addition to discussing the financial problems, the executive committee voted to recommend three by-law amendments to the Council. The proposed changes would:

1. Create a new class of "associate" members, without the right to vote or hold office, for CPAs who obtained their certificates by passing the uniform examination but who cannot fulfil the present requirement for two years of public accounting experience.

2. Establish a new office of president-elect (a system used by most professional organizations).

3. Eliminate the present \$5 reinstatement fee charged to former members who resigned while in good standing.

Other actions of the committee:

- Approved the mailing of a letter to firms which audit co-operatives in the REA program reminding them of the importance of maintaining high standards of performance.

- Authorized the appointment of a special committee to develop a specific proposal for the collection of statistical data about the profession — including periodic studies on incomes, fees, the potential demand for accounting services, and the attitudes of key groups toward the CPA.

Conference in Havana

An invitation has been extended to all members of the Institute and professional accountants' societies throughout the Americas to attend the Fifth Inter-American Accounting Conference, November 12 to 20 in Havana, Cuba.

Purpose of the triennial conference is to "improve and strengthen the relations among professional accountants of the American continent . . . to study and discuss problems of a technical nature."

Louis M. Kessler, permanent Institute delegate to the Inter-American Conference, will head the Institute delegation.

Members interested in representing the Institute this fall in Havana should write to the Institute office.

FROM THE PRESIDENT

J. S. SEIDMAN



Some Unsolicited Testimonials

THE Institute has plenty of problems and plenty of room for improvement. That is the badge of a worthwhile, dynamic organization. However, our day-to-day concern can easily cause us to lose sight of the deep, abiding values we get from the Institute.

That is why it may be useful to catch up here with some typical unsolicited appraisals about the meaning of the Institute in our lives. The statements are from CPAs who have put the Institute to the test for at least twenty years.

A CPA in the Institute for thirty-five years writes: "It has been for me a pleasant and auspicious association, and I consider myself to be very lucky indeed to have been allowed to share in the benefits of this progressive organization."

So also from New York: "I have valued my membership in the organization over the years, although my participation in its affairs has been quite inactive. There is no question at all about it that the Institute has advanced the interests of the profession immeasurably, and brought about greater understanding in the minds of the public of our work and objectives."

In Massachusetts, a member for forty years says: "As I look back across the span of years I am firmly convinced that the Institute has done a magnificent job for the members, the profession and the public. Certainly my rewards have been great compared to my contributions and I always felt privileged to be a member."

I had occasion to write to a CPA in Paris. He replied: "You made friendly reference to the strength of 'my' membership. Whatever that amounted to, it was rather

the strength of association which counted and gave me the moral and professional support during the past fifty years, with their rigors and anxieties of two world wars and their consequences."

Now for a few nonpractitioners. A newspaper controller says: "It hardly seems that half my lifetime has passed since I became a member of the Institute, and after a struggle passed the CPA examinations. The glow of that achievement has never left me. Indeed I am more proud than ever of our profession and the respect for it that has been evidenced increasingly by business and the general public. The Institute has played no small part in this development. Although I have not been in public practice since 1940, I am very proud to continue as a member of the Institute,

and to glory in its achievements."

An Ohio treasurer declares: "Indebtedness flows from me because I feel that I have received many, many times as much from the Institute as I have contributed. Of all my associations, I feel that my membership in the Institute is one of the most valuable."

An educator says: "We have witnessed many changes in business procedure since World War I, and I am pleased that the Institute has played such an important part in advancing progressive ideas accountingwise."

A Federal Government budget officer says: "I have always valued my membership, not only for the standing it has given me, but also for the ready means to keep informed of current developments."

These are a few samples. I have letters from all over the country and all walks of accounting life. All attest to the mental, social, and practical enrichment that stems from membership in the Institute.

There is no occasion for smugness or inertia. There is ample occasion for pride in the past, attention to the present, and dedication to the future.



During its meeting the executive committee appeared as a panel at a meeting of the Kansas City Chapter to answer questions about current Institute activities. Among the more than 200 who attended from Kansas and Missouri were (above l. to r.): M. J. Kennedy, Council member from Kansas; Ralph W. Crouch, president, Missouri Society; J. S. Seidman; Arthur H. Bowen, Council member for Missouri; George W. Sinderson, president, Kansas Society.

Moonitz Appointed Director of Accounting Research: First Five Projects Assigned

► Professor Maurice Moonitz of the University of California at Berkeley has been appointed director of accounting research of the American Institute, effective in late summer.



Mr. Moonitz has taught at the University of California since 1947. In addition he was associate dean of the Graduate School of Business Administration for four years until appointed co-editor of the new publication, *The California Management Review*.

He holds B.S., M.S. and Ph.D. degrees from the University of California. He was a member of the staff of Arthur Andersen & Co., San Francisco from 1944 to 1947. Previously he taught at the University of Santa Clara and at Stanford University.

Professionally, Mr. Moonitz has been active in the California State Society and the American Accounting Association. He was vice-president of AAA in 1958 and chairman of its committee on accounting theory in 1958 and 1959.

Research projects assigned

In addition to heading the accounting research division, Mr. Moonitz will have general direction of two related projects in the accounting research program now getting under way. Assisted by Robert T. Sprouse, University of California, he is in charge of accounting postulates and a statement of broad accounting principles.

Three other assignments to part-time research staff members have been announced by Perry Mason, acting director of research. Homer A. Black, Florida State University, has begun work on a study of accounting for income taxes. John H.

Myers, Northwestern University, is working on accounting problems in connection with long-term leases. Arthur H. Wyatt, University of Illinois, has assumed responsibility for a study of the accounting problems in connection with business combinations.

Complete announcements of these research projects will be published in *The Journal of Accountancy* and other periodicals. Interested persons are invited to send material or suggestions on any of the topics to Dr. Mason at the Institute office.

New Study on Planning Practice for Growth

► Can the modern techniques of business management be applied to the operation of an accounting practice?

The answer is supplied in the latest bulletin in the current series on economics of accounting practice. "Planning an Accounting Practice for Growth" is based on the assumption that accountants *can* adapt advanced business principles to the particular needs of their own practice.

The bulletin, Number 13 in the program, will be released next month.

Bulletin Number 12, "Selected Tax Problems in an Accounting Partnership," is being held pending action on legislation now before the U. S. Senate which would affect the tax treatment of matters discussed in the bulletin.

The first four bulletins in this series are still available. Price for the series of six bulletins is \$15. The committee on economics of accounting practice is now exploring other topics in the practice management field for future publications.

Opposition to Tax Bills Expressed by Institute

► Opposition to two tax bills which would seriously limit the time granted a taxpayer or his adviser in responding to deficiency notices has been expressed by the Institute's committee on federal taxation.

In a letter to Chairman Wilbur D. Mills of the House Ways and Means Committee, the tax committee took exception to section 15 of HR 9625 which would substitute a 30-day statutory notice of deficiency in place of the present 90-day letter. Under the new procedure, if a taxpayer does not notify the Internal Revenue Service within 30 days after receipt of the notice of deficiency or file a petition with the Tax Court, the deficiency could then be assessed.

The committee held that the procedure does not give the taxpayer or his adviser sufficient time to review the facts adequately. In addition, failure to respond within 30 days would deprive the taxpayer of the right to file a petition to the Tax Court and would permit him to litigate the issues only in the District Court or Court of Claims and only after paying the tax in controversy.

In a letter to Chairman Harry F. Byrd of the Senate Finance Committee, opposition was expressed to a House-passed bill (HR 9660) which contains a section permitting the IRS to assess and collect additions to tax without issuing any notice of deficiency. This procedure would be followed only in cases of additions to tax for failure to file tax returns or for underpayments of estimated tax.

The Institute's tax committee feels that this procedure will leave many taxpayers inadequately protected against arbitrary assessment of penalties for underestimate of tax.

In the committee view some notice in advance of assessments should be given. It suggested that if the law must be changed, a pro-

cedure similar to that proposed in section 15 of HR 9625 would be acceptable, but only for additions to tax for failure to file tax returns and for underpayments of estimated tax. The committee finds the 30-day procedure acceptable in this case because of the potential volume of notices and the limited factual problems involved.

Involuntary liquidations. In another letter to Chairman Mills, the Institute's tax committee reiterated its position that legislation is needed to protect a business from distortion of taxable income caused by an involuntary liquidation of Lifo inventory.

The Institute's letter suggested that any legislation to correct this "flaw in the working of the Lifo provisions" should cover liquidations arising out of "any causes beyond the reasonable control of management."

Special Inventory Survey Conducted by Institute

► Inventory practices of more than 3,000 companies are summarized in a special survey by the committee on federal taxation for the benefit of the Treasury Department.

The study shows a definite tendency toward the use of fewer pools in pricing inventory under the dollar value method. Information was also supplied as to the varied approaches used in selecting pools.

Special memorandum. An advisory memorandum accompanying the survey discussed accounting problems in determining the appropriateness of pooling techniques.

Requested by the Institute's tax committee, the memorandum was prepared by Carman G. Blough, Institute Research Director; Samuel J. Broad, former president of the Institute; and Robert M. Trueblood, president of the Pennsylvania Institute of CPAs.

NEWS NOTES

► The Institute's grading service has completed processing of more than 44,000 individual papers for the 12,500 candidates who sat for the November 1959 CPA Examination.

► "Budgeting Your Way to Profit," latest article in the Institute's trade press program, has been distributed to the leading publications in 70 trade classifications.

► A new two-hour form Level II Accounting Achievement Test is being offered for the first time this spring in the Personnel Testing Program. The material included is more analytical in nature than the content of previous Level II tests. Another two-hour achievement test is currently being developed. The first draft, prepared by Professor Vinton S. Curry of the University of Colorado, was exposed to the Committee on Personnel Testing last month.

► The question of whether unlicensed persons can be legally prevented from performing general accounting services was one of the major topics discussed at a meeting of Institute and NSPA representatives in Chicago last month. Both groups are studying the matter and have scheduled a meeting, with their legal counsel, in Washington early this month.

► The Institute has submitted favorable comment on (new) proposed regulations of the Small Business Administration covering small business investment firms. The Institute's small business committee, headed by John M. Stoy, found that the proposed regulations established "generally sound financial controls" over such companies.

► The ethics committee will present prima-facie cases against three Institute members before the Trial

Board at the time of the Council meeting in early May.

► The Institute's Fourteenth Annual College Accounting Testing Program was conducted last fall with seventy-one colleges, universities, and business schools participating. Almost 8,000 tests were administered in 1959; total for the past five years: 43,000. The Personnel Testing Committee (Walter G. Kell, Chairman) is responsible for this program and the new Level II test described above.



Mr. Kell

► The thirteenth edition of *Accounting Trends and Techniques* is breaking all previous sales records. Sales to date: 3,500 copies. This is 15 per cent above the previous high. Work is currently under way on the next edition, to be released in the fall.

► If all professional development courses were supported as well as the fee seminars, the Institute's program would be considerably more than self-supporting. In less than a year the fee course has been given 93 times in 30 states to 1,738 practitioners.

► A special leaflet — "P is for Public" — explaining the CPA and his certificate to the general public has been developed for banks to enclose with monthly statements to depositors. It is being made available by the Institute through state societies.

► A newly completed revision of the Natural Business Year promotion kit is currently being distributed to state societies via regional co-ordinators. The present kit, designed to assist committees in planning Natural Business Year campaigns, pinpoints the areas where groups may most successfully carry out their promotion on the local level.



Mr. Stoy

Alternative to Keogh Bill Under Study by Treasury

► An alternative to the Keogh bill (HR 10) is being explored by the Treasury Department.

According to reports circulating in Washington, the Treasury is studying a proposal to permit the self-employed to take advantage of the provisions in the Internal Revenue Code governing qualified pension plans.

This, in effect, would be an acceptance by the Eisenhower administration of the basic principle of

the Keogh bill. That legislation, sponsored in the Senate by Senators Smathers (D., Fla.) and Morton (R., Ky.), would authorize the self-employed to defer taxes on limited amounts of income set aside for retirement purposes. In the present form, it would not require the creation of a nondiscriminatory pension plan.

Supporters of the Keogh bill have been pressing hard for an early vote in the Senate Finance Committee.

However, a committee vote is likely to be deferred until the conclusion of the Treasury's study.

LETTERS

Further thoughts on Rule 7

As a comment on Mr. Carey's "A Setback to Higher Standards" in December, I believe I would be correct in saying that this amendment did not fail because of any opposition to its main objectives.

On accounting assignments requiring the services of many men for many weeks, I believe that a notification to the prior accountant would be called for.

However, in the area of income tax preparation, some accounting

Nominees for Institute Office—1960-1961

LOUIS H. PILIE of New Orleans heads the slate of six officers selected by the committee on nominations at its meeting in Kansas City last month.

Mr. Pilié is a senior partner in the Louisiana firm Barton, Pilié, Hughes & Jones. A former vice president of the Institute and a past president of the Louisiana society, he now serves on the Trial Board and public school accounting committee. He was vice president in 1957-58 and has served on a number of other committees: executive, development of the profession, state legislation, co-operation with bankers and other credit grantors, publication, meetings, and natural business year. He is a frequent contributor to professional journals and author of Chapter 7 of *The CPA Handbook*. He was a delegate to the Seventh International Congress of Accountants at Amsterdam in 1957.

HERMAN W. BEVIS, vice presi-

dent, is a partner of Price Waterhouse, New York, N. Y. Past chairman, Institute national defense committee and Board of Examiners. Now member-at-large of Council, chairman of long-range objectives committee, member of executive committee. Past committee service: Board of Examiners (chairman), national defense (chairman), education, co-operation with stock exchanges, executive.

CLIFFORD V. HEIMBUCHER, vice president. Partner, Farquhar & Heimbucher, San Francisco. Member at large of Council, member of long-range objectives committee. Past committee service: Trial Board, state legislation (chairman), interstate practice, public relations, accounting procedure, terminology, bylaws, nominations, professional ethics, meetings, executive.

HOMER L. LUTHER, vice president. Partner, Phillips, Sheffield, Hopson, Lewis & Luther, Houston, Texas. Chairman, economics of ac-

counting practice. Past committee service: local practitioners (chairman), meetings, accounting procedure, Council. Texas State Society president, 1958-59.

EDWIN W. NORBERG, vice president. Partner, Norberg & Pettijohn, Minneapolis, Minn. Presently Council member-at-large and member of committee on co-operation with public accountants. Past committee service: local practitioners, professional ethics, public relations, nominations, Council. Past president, Minnesota Society.

THOMAS D. FLYNN, treasurer. Partner, Arthur Young & Company, New York, N. Y. Member, executive and budget and finance committees, committee on relations with bar. Treasurer, Foundation and Benevolent Fund. Former member, committees on accounting procedure, relations with SEC, selection of personnel, personnel reference (chairman), Council. He has served as treasurer since 1958.



Mr. Pilié



Mr. Bevis



Mr. Heimbucher



Mr. Luther



Mr. Norberg



Mr. Flynn

offices will find many tax engagements in progress at one time. When a new client whose work may require only three or four hours comes into an office from a distance, it is not very practical to tell him that he must come back again at some later date after contact can be made with another accountant whose office may be in some neighboring county.

FRED T. NEELY
Greenwood, Miss.

Institute fee seminar

The course on accountant's fees opened our eyes as to how time figures into the scale of what can be earned. As a result of the course, our firm has adopted a minimum fee schedule which should help us a great deal.

HARRY WADSWORTH
El Dorado, Ark.

The interest in the subject of fees is intense, and the seminar method is far superior to the practice of considering the problem in isolation. I have recommended that future seminars be scheduled by our society on a regular basis.

HERMAN BERGER
Chicago, Ill.

Membership promotion

Perhaps now is the time for us to appraise and to evaluate our present membership solicitation procedures. In addition to compiling comments and ideas, a valuable contribution by the Institute would be to conduct a survey of all methods used by state societies. Committees responsible for securing membership would do well to update correspondence, revise application forms, prepare attractive, modern brochures, and possibly develop other effective methods of "selling" our organizations.

The contemporary format of *The CPA* and *The Journal of Accountancy* have been well received. Let's extend these ideas to other neglected areas.

NORRIS R. EID
Billings, Mont.

FROM THE EXECUTIVE DIRECTOR

JOHN L. CAREY



Financial Management for the Average Man?

THE PUBLIC relations problems of CPAs are complicated by lack of understanding among average citizens of just who CPAs are and just what they do. Almost everyone has to seek help at times from doctors and lawyers. But since CPAs are mainly concerned with business, the average citizen doesn't see or hear much of them, except to the extent that CPAs handle individual income-tax problems. Even this exception is a mixed blessing; it has led many people to think that a CPA's purpose in life is to find clever ways of avoiding taxation — not an altogether flattering image.

Why shouldn't CPAs expand their practices in the area of personal financial management for the average citizen? Many CPAs have as clients individual farmers, doctors, actors, authors, but these in a sense are business clients, too. Estate planning, in which many CPAs participate, is only a part of personal financial management. Even the employee on a modest salary has financial problems which to him are vital. He should have a budget, and a long-range financial plan. How much rent should he pay — or should he buy a home? How much of what kind of insurance can he afford? What does it cost him to buy a car on installments, as contrasted with borrowing the purchase price from a bank? What is the best way for him to save and invest? And what are the tax consequences of these decisions?

Such matters may seem elementary, and to CPAs they are, but many good citizens are completely unequipped to deal properly with money problems. They would, I think, often welcome consultation with experts if they knew where to go.

Of course, this type of practice could not be as lucrative as professional service to business. But what of it? If every CPA firm did a little of it, or trained staff to deal with this type of work at modest fees, it wouldn't be much of a sacrifice. And the rewards in good will might be great.

How to get started? Let present business clients know that the CPA firm is available to help employees with their personal financial problems. The word would spread like wildfire.

As an alternative or supplementary approach, state societies might organize and announce free financial advisory clinics, like the legal aid clinics which have done so much to demonstrate the legal profession's interest in ordinary people.

CPAs have suffered, I think, from the impression that they are concerned only with the impersonal affairs of business. In the old days CPAs sometimes referred to themselves as "business doctors." Why shouldn't they be known as personal financial doctors, too? If they could contribute to better financial health in individual families, wouldn't this lead to a healthier national economy?

Let me know if this idea makes sense to you. If enough CPAs are interested, perhaps the Institute could do something about it.

MEMBERS IN THE NEWS

ANDREW BARR, chief accountant of SEC, was one of five men who received on March 7 the President's Award for Distinguished Federal Civilian Service, the nation's highest honor for career civil servants. Mr. Barr's work was cited as aiding "capital formation in the United States and advancing the cause of investor protection."



Mr. Barr

JOHN P. ABBADESSA received the Arthur S. Flemming Award, presented annually to the ten young men considered outstanding in the Federal Government. Mr. Abbadesa is Deputy Director of the Civil Accounting and Auditing Division of GAO. The accompanying citation praised his "exemplary performance and his outstanding executive and administrative ability in the fields of management, accounting, and auditing."

OBITUARIES

Institute award winner

Edward A. Kracke of Montclair, N.J., died on March 2 at the age of 77. A retired partner in Haskins & Sells, Mr. Kracke received the Institute's 1948 award for outstanding service as chairman and organizer of the committee



Mr. Kracke

on co-operation with Congressional appropriations committees. He was president of the New York State Society in 1948-49, and vice president of the American Accounting Association in 1946. He was an active member of the Institute's committee on governmental accounting, and did special work for the Hoover Commission.

Half-century member

Edward M. Hyans of New Rochelle, N.Y., died there on February 26. Mr. Hyans became a CPA in 1905 and practiced for

many years in New York City. His Institute membership of 54 years is one of the longest on record.

(Membership date in parentheses)

AYRES, MARION E. (MISS) ('55), 59, Lybrand, Ross Bros. & Montgomery, Chicago, Ill.

BOYD, E. ROY ('40), 56, Boyd, Young, Gano & Stallings, Dallas, Tex.

BROWN, LEFAY FRANK ('49), 57, Brown, Regan & King, Birmingham, Ala.

CLARK, JAMES R. ('55), 31, Lybrand, Ross Bros. & Montgomery, Dallas.

DOSCHER, CURTIS E. ('50), 41, Alexander Grant & Co., New York, N.Y.

HANSBARGER, W. C. ('24), Hansbarger & Savage, Lima, Ohio.

HOLLINGER, WILLIAM P. ('35), 74, own account, Dayton, Ohio.

LAMBERT, PAT H. ('46), 58, own account, Wichita Falls, Tex.

MAGRUDER, LEROY M. ('42), 64, own account, Springfield, Mo.

PFLEEGER, FLOYD J. ('27), 66, Pfeleger, Hubbell & Eichorn, Buffalo, N.Y.

SHOWALTER, M. VADEN ('48), 48, own account, Abilene, Tex.

WRIGHT, H. WINFIELD ('16), H. Winfield Wright & Company, Philadelphia.

CPA

THE CERTIFIED PUBLIC ACCOUNTANT

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April 1960

Members Urged to Express Views on Policy Matters Before Council Meets

Treasury Department submits alternate proposal to Keogh bill (p. 5)

Labor Secretary Mitchell meets with President Seidman on union financial reports (p. 4)

Institute requests IRS to consider several factors in reviewing requests for extensions of time for filing returns (p. 4)

Subjects announced for eight technical sessions at Institute's Annual Meeting (p. 6)

THREE major reports of concern to every member will be debated at the spring meeting of the Council of the American Institute of CPAs on May 2-5.

In discharging its function as a policy-making body, the Council needs to know the wishes of the membership. You are urged to communicate your views on these issues — or on any others which interest you — to the president of your state society or elected members of Council.

As background, here are brief summaries of the three reports:

I. Revision of dues structure

To avoid a continuing deficit in Institute operations because of the impact of inflation and the continuous pressure to expand services to members, a subcommittee of the executive committee will recommend minor dues increases and decreases — depending on the age of the member's CPA certificate — for those not in public practice and for partners and principals who have held their certificates for less than seven years. Larger increases (averaging about 25 per cent) will be proposed for partners and principals who have held their certificates for longer periods. The top bracket, after ten years, would be \$55.

As part of its report, the subcommittee will recommend that such bulletins as those on the economics of accounting practice (now sold at a price averaging about \$10 a year) be provided free to practicing members and other members who desire them; it will also propose that the expanded accounting research program be financed, at least in part, by voluntary contributions to the Institute Foundation. The

adjusted dues schedule, if adopted, will be the first change since 1952.

These recommendations have the unanimous approval of the executive committee.

II. Relations with state societies

In a 15-page report sent to Council last fall, the committee on long-range objectives declared that it had found no evidence of significant duplication of expense or effort between the activities of the Institute and state societies. It rejects, at least for the present, merger of the societies and the Institute. It suggests, instead, that the present voluntary co-operation be extended, without altering the existing structure or impairing the independence of either the Institute or the societies.

The committee will ask Council to adopt these statements of policy:

1. It is an objective of the Institute that every eligible CPA . . . be encouraged to become a member of a state society and the American Institute of Certified Public Accountants, and that membership in both be required to be concurrent as soon as possible.

2. It is an objective of the Institute that by voluntary agreement the plans, programs, procedures, and activities of the state societies and the Institute be co-ordinated . . . and in particular that the state societies and the Institute adopt a uniform code of ethics and enforcement procedures.

If these objectives are approved, detailed proposals will be submitted to the 1961 spring meeting of Council.

III. Experience for CPA certificate

The special committee appointed pursuant to resolution of Council last year will present a lengthy report in which it will recommend several statements of policy, including these:

1. It is essential that a preponderance of one year of qualifying experience should be obtained in assignments in which the nature of work, quality of work environment, and supervision by a CPA or licensed public accountant are *dominated by generally accepted auditing standards*.

2. The significance of the experience requirement rests with its contribution to the application of technical accounting knowledge with judgment, and to personal qualities of auditors.

3. The nature, quality and supervision of auditing experience are of paramount importance; *experience in an activity comparable to public practice should qualify so long as it clearly meets these criteria*.

Other matters of interest

In addition to these major policy recommendations, the Council will receive reports from more than fifty committees, including a report on

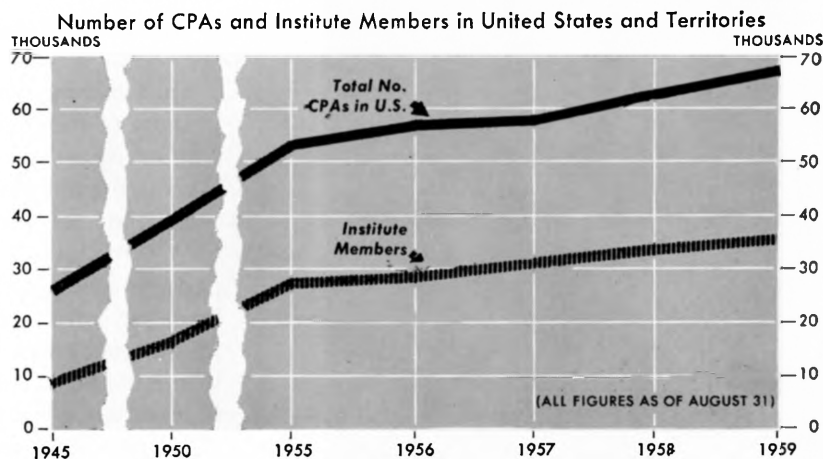
co-operation with public accountants. Exploratory meetings were held by the Institute's committee with representatives of the National Society of Public Accountants. Council resolved last spring that CPAs should maintain friendly relations with those authorized to use the title of "public accountant" under state laws, with a view to improving their standards and aiding them in fulfilling CPA requirements.

The Council will also consider several changes in the Institute's by-laws, including proposals to:

1. Create a new class of "associate" members, without the right to vote or hold office, for CPAs who obtained their certificates by passing the uniform examination but who cannot fulfill the present requirement for two years of public accounting experience.

2. Establish a new office of president-elect, a system used by most professional organizations and a number of state societies.

Postwar Growth of the Accounting Profession



The recent admission of the thirty-six thousandth member culminated a postwar upsurge that has quadrupled the Institute's membership. In 1945 there were 9,000 members. By 1951 that figure had doubled. Now it has doubled again. Equally remarkable has been the growth of the profession as a whole which increased from 26,000 to 66,000 CPAs over the same period. Before the end of this decade it is predicted that there will be more than 100,000 CPAs in the U.S. Institute membership should exceed 50,000 at an even earlier date.

FROM THE PRESIDENT

J. S. SEIDMAN



How Committees Are Appointed

MANY letters have come in from members expressing commendable interest in Institute committee work. In the booklet containing this year's list of committee members, I have set forth how Institute committees are appointed. The subject is so important (and in terms of next year's administration will soon become so current) that I think it would be advisable to repeat the story here.

Sources of names

Active and efficient committees are the life blood of the Institute. That is why a president exercises great care in the selection of committee members.

How does the president go about fulfilling his responsibility in that respect? He first develops a pool of names. The names come from several sources. The primary source is recommendation from Council members and state societies. Council members and state societies are most likely to know, and they are asked to recommend, members in their areas who have proven themselves. What is sought is members with local committee service, who are interested and available for national committees.

An additional supply of names of potential committee members comes from the current Institute committee chairmen and the evaluation of their committee personnel. Similar information is obtained from Institute staff assigned to the different committees. For technical specialty committees, as distinguished from the general run of "housekeeping" committees, the names of member writers or lecturers in the field are compiled.

The pool of names consists also of members who directly volunteer for committee service, and the carryover of names from the pool of previous years.

There are about 1,300 committee members to appoint. That means about one member in 25. Of the 1,300, about 450 serve on the membership committee. Under the by-laws, the members of the executive, ethics, admission committees, Accounting Principles Board, and Board of Examiners are not presidential appointments, but are elected by Council.

Elements of balance

Since the Institute is a national organization with variegated composition, the president naturally considers the importance of balance both within committees and overall. The elements to balance include geography, composition of membership such as public practitioners, members in industry, education, and government. Within the ranks of practitioners there are further elements to balance in terms of size of firm and status as partner, proprietor, and staff.

Other factors for consideration are new members, women members, longevity of previous committee service, limitation of service on more than one committee. The president will also weigh the desirability of new faces on a committee, as against the need for continuity and experience. He will review size of committees to get maximum membership participation without being unwieldy. Expense of committee numbers and operation likewise enter the calculation.

The president then sets about making his selections. Actually, he is then only the presidential nominee, but committee selection is an important planning step. The designation process starts sometime between June and August. The presidential nominee draws on the participation and advice of the current president, as well as the Institute's executive director, and director of membership relations.

"Dedicated, experienced, competent"

In summary, the president seeks dedicated, experienced, and competent committee personnel. Council members and state societies are on the lookout, all year round, for members who have demonstrated those qualities. Their names come to the fore, by recommendation, when Institute committees are to be appointed. It is a healthy embarrassment of riches if the pool from which to draw is as large and deep as possible.

Insurance Trust Receives Largest Dividend Check

► Almost two million dollars will be returned to members of the American Institute's insurance trust as a result of the dividend just received, the largest in the trust's history. A portion of the \$1,873,126 will be set aside for reserves, but most will be distributed to all who were participants as of March 31.

Distribution will be made in August based on the amount of each participant's contribution during the year ended September 30, 1959.

Over \$274 million of insurance is in force under the Institute's insurance trust. The group policies cover 17,485 persons in 2,938 firms. About 3,100 members, many not in public practice, participate in the CPA plan for individuals.

Over five million dollars in refunds have been paid to participants in the program since 1947.

Labor Secretary and Institute President Discuss Role of CPAs in Union Reporting

► The role of CPAs in connection with the 60,000 financial reports to be filed by labor unions was discussed last month by Institute representatives and top officials of the Labor Department.

At a meeting in Washington, D.C., Institute President J. S. Seidman and Secretary of Labor James P. Mitchell explored the possibility of utilizing CPAs in some of the Department's field review work. The law requiring submission of these reports does not specify that they be independently audited reports. However, Secretary Mitchell pointed out that a number of reports from unions on their pension and welfare plans — under another statutory requirement — are being audited by CPAs. It is his intention to encourage unions to submit

their regular reports, audited by CPAs, and in that way facilitate processing and review.

At a subsequent meeting with Mr. Seidman in New York, Assistant Labor Secretary John Gilhooly said that the Department was most anxious to get the benefit of Institute co-operation. He pointed out that thirty per cent of the reports will be from international unions, and seventy-five per cent of those will be audited by CPAs.

Another meeting has been scheduled in Chicago between Max Cooper, chairman of the Institute's committee on labor union and welfare funds, and John L. Holcombe, Commissioner of Labor Management Reports, for further discussion of the Department's Washington and field audit program.

Extension of Time for Filing Subject of Letter to IRS

► As a result of complaints from a number of members, the Institute's committee on Federal taxation has written to the IRS suggesting consideration of several factors in reviewing requests for extensions of time for filing individual returns.

Specifically, the committee's letter recommended:

1. Allowance should be made for difficulties of transition in the application of more uniform rules.

2. A taxpayer should not be penalized when a return is not prepared on time if he has presented data to a practitioner well in advance of the due date.

3. Scarcity of qualified assistance should be recognized in certain localities.

4. Increased information should be provided as to appropriate reasons for requests of extensions.

Professional Development Course Offerings in April and May

ACCOUNTANTS' FEES

- Great Falls, Mont.: Saturday, April 23. Send \$15 registration fee to Ward F. Junkermier, 221 Ford Building, Great Falls, Mont.
- Dallas, Tex.: Saturday, April 23. Send \$25 registration fee to Texas Society of CPAs, 510 Tower Petroleum Building, Dallas 1, Tex.
- Pittsburgh, Pa.: Two separate courses — Saturday, April 23, and Friday, May 27. Send \$15 registration fee to Samuel Horovitz, Cohen and Horovitz, 610 Berger Building, Pittsburgh 19, Pa.
- Providence, R.I.: Saturday, April 30. Send \$20 registration fee to Howard J. Swanson, 111 Canna Street, Warwick, R.I.
- Jacksonville, Fla.: Saturday, April 30. Send \$25 registration fee to M. D. Womack, Jr., 2099 Park Street, Jacksonville 4, Fla.

• Boston, Mass.: Saturday, April 30. Send \$25 registration fee to Massachusetts Society of CPAs, 44 School Street, Boston, Mass. (Date has been changed from April 23, originally announced.)

• Missoula, Mont.: Saturday, May 7. Send \$20 registration fee to Jack J. Kempner, School of Business Administration, Montana State University, Missoula, Mont.

• Cincinnati, Ohio: Saturday, May 7. Send registration to Kenneth E. Lambert, College of Business Administration, University of Cincinnati, Cincinnati 21, Ohio.

• Des Moines, Iowa: Saturday, May 14. Send \$25 registration fee to Prof. Merrill B. Dilley, Drake University, Des Moines, Iowa.

• Eau Claire, Wisc.: Thursday, May 19. Send registra-

tion to William J. Bauman, Rollin Mabie and Company, Box 314, Eau Claire, Wisc.

• Portales, N. M.: Saturday, May 21. Send \$20 registration fee to Wesley E. Holt, Renker and Rudolph, 204 N. Love, Lovington, N. M.

• St. Paul, Minn.: Monday and Tuesday, May 23 and 24. Send \$20 registration fee to Minnesota Society of CPAs, Wesley Temple Building, Minneapolis 3, Minn.

REPORT WRITING

• Boston, Mass.: Thursday evenings, April 21 through June 9. Send \$35 registration fee to Massachusetts Society of CPAs, 44 School Street, Boston 8, Mass. (Date has been changed from April 6-May 25, originally announced.)

NEWS NOTES

► Institute representatives were among those meeting with Treasury officials last month to discuss a Treasury Department survey on business practices in depreciation deductions. The announced purpose of the survey is to determine whether statutory or administrative changes are desirable to liberalize depreciation.

► The applicability of the Rules of Professional Conduct to tax practice was considered at a recent meeting of the committee on



Mr. Green

ethics of tax practice, under the chairmanship of Thomas J. Green.

The committee plans to co-ordinate its activity with the committees on Federal taxation, auditing procedure, and professional ethics. Mr. Green's committee expects to study the problem of applicability with a view towards making recommendations to the ethics committee.

► The Institute's new junior staff training program appears over the top. Some 300 intentions to register have been received by the professional development division from forty-two states, and more are coming in. The ten-day course will be given in late summer to junior staff men at five universities: Purdue, Syracuse, California (at Santa Barbara), Georgia and Texas. A full description of the course and all accompanying materials will appear here next month.

► The Institute's committee on Federal taxation has expressed concern over a recent Revenue Ruling requiring employers to withhold income tax from allowances or reimbursements paid to employees to cover transportation and/or living expenses. In a letter to IRS Commissioner Dana Latham, the committee pointed out that withholding

income tax on payments not constituting income would require employees to file refund claims and possibly have their returns audited before recovering taxes which were never due. There remained other technical aspects which should, in its view, be considered, the committee added.

► The function of accounting in minimizing costs and maximizing profits is demonstrated in a collection of articles published by the Institute under the title *Accounting for Greater Profits*. Composed of articles selected from the past year's JOURNAL OF ACCOUNTANCY, the book is intended primarily as an introduction to *The Journal* for new nonmember subscribers. It is available to others at \$1.50 per copy, and may be ordered now from the Institute.

► Expansion of Institute activities to benefit members in industry was discussed at two recent meetings. The committee on members in commerce and industry, F. J. Otterbein, chairman, met to discuss the importance of accounting to top management. Institute representatives also met with five top industrial controllers to determine how well the Institute was carrying out the recently adopted objective of serving members in and out of public practice.



Mr. Otterbein

► The American Institute has renewed its efforts to gain exemption from the Wage-Hour Act for CPAs as professionals. In testimony filed with the House Education and Labor Committee, the Institute suggested that CPAs, like lawyers and doctors, ought to be exempt on the basis of professional status. Any action on the amendments to the Act, however, appears unlikely this year.

Alternative to Keogh Bill Submitted by Treasury

► The Treasury Department's long-awaited alternative to the Keogh bill has been delivered to the Senate Finance Committee.

The Treasury's report, in addition to recognizing that the self-employed should be entitled to defer taxes on limited amounts of income set aside for retirement purposes, recommends sweeping revisions in the present provisions of the Code governing qualified pension programs.

Senate sponsors of the bill, however, oppose action on any parts of the Treasury report other than those relating to the self-employed. Early action on the measure by the Finance Committee is expected.

Editorial Syndication of Seidman Speech

The editorial below appeared in Scripps-Howard newspapers on March 22.



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Give Light & the People Will Find Their Own Way

TUESDAY, MARCH 22, 1960.

Editorials

Tax Reform a 'Must'

The top CPA in the country, President J. S. Seidman of the American Institute of Certified Public Accountants, made a speech in Detroit yesterday which should be "must" reading for every member of Congress and all Presidential candidates.

Here are some of the things Mr. Seidman said:

- Four things are out of gear: Rates are too high; there are too many loopholes; the law is too complicated; enforcement is not complete.

- In effect, Congress sets high rates, then tears down the rate structure by allowing special benefits for some taxpayers.

- Taxpayers have learned the hard way that any favor done for one group of taxpayers means that all others must pick up the tab.

- As a result of the high rate structure, the quest for capital gains with a 25 percent top tax has become a national pastime.

- Two remedies are needed. One is to lower the tax rates and the other is to do away with special classes of taxpayers. The two remedies, employed together, will up the revenues and improve taxpayer attitude toward the tax laws.

Almost any taxpayer who has taken the trouble to study the tax situation knows the correctness of what Mr. Seidman said.

A complete overhaul of our jerry-built and inequitable federal income tax system is overdue and cannot much longer be postponed.

Annual Meeting Technical Sessions Announced

► The American Institute's 73rd Annual Meeting will include eight technical sessions on subjects ranging from ethics in tax practice to joint audits by small firms.

The sessions at the Annual Meeting, September 26-28 in Philadelphia, will cover:

- ethics of tax practice
- accounting for regulated industries
- practical problems of practice
- nonpractitioner and practitioner working together
- the financial press talks to CPAs
- small firms can handle big audits through teamwork
- how far can we go toward uniformity and comparability of accounting principles?
- uniform accounting and tax provisions of state laws

Speakers and panelists, with descriptions of their topics, will be announced in an early issue.

LETTERS

Membership relations

I believe the Institute must take the initiative in getting closer to the small accountant who lives at a distance, and who was never busier in his life than he is now. The Institute will have to take the lead in shaping the thinking of its members along the lines the elder statesmen of AICPA believe should be followed. This may best be done by having speakers available to meet with local groups of CPAs. The Institute does not now have the staff or the funds with which to take on this sales campaign, but I think it should have.

As an example, at a monthly meeting of our local chapter, an Institute representative presented approximately two hundred questions, many of them double-barreled, which appeared in *THE JOURNAL* shortly thereafter ("The Future of the Accounting Profession," by J. S. Seidman, Mar. 1959, p. 29). The

result was more thinking — and more talking — about the future of the profession . . . than would ever have followed each of our members' reading and digesting this thought-demanding article alone in his office.

HAL CANARY
Memphis, Tenn.

Relations with non-CPAs

Mr. Carey's January column [on relations with non-CPAs] is most interesting, informative and timely. It concerns a matter about which there has been great controversy and division and much discussion. He deals most appropriately, effectively and bravely with the facts of CPA life.

I hope that through all this there will be no compromise with expediency.

WILL-A. CLADER
New York, N.Y.

I am firmly convinced that if the non-CPAs would apply themselves as diligently in an endeavor to improve themselves they would accomplish considerably more than by their efforts in trying to get something for nothing.

When making these statements, I am thinking of my own experience which dates back quite a few years. I was a charter member and secretary of one of these state groups. After I discovered their purpose, I immediately relinquished my membership.

A. J. WEITZKE
Freeport, Ill.

Dial M for Members



A telephone solicitation session, part of President Seidman's special New York membership drive, brought highly encouraging results last month. Almost half of the calls resulted in requests for application forms. The breakdown: 111 calls made; 57 prospects reached; 46 requested application forms; 11 had no interest. Above, l. to r., standing: Benjamin Grund, Edward L. Lawson, Albert Krauter, Samuel Kaplan, Irving Weinstein. L. to r., seated: President J. S. Seidman, J. B. C. Woods, Eli Mason, chairman, Miriam I. R. Eolis, and Louis Winsten, at telephone. Also on phones when this picture was taken: R. Gerard Palmer and Howard A. Withey.

Amendment to Rule 7

I wish to tell you that I was particularly pleased with Mr. Carey's "A Setback to Higher Standards" in December.

It may have been that the leaders of the Institute were so confident of passage that they overlooked the need for the "softening up process" to condition the members for the proposal as presented.

Indeed, many of the members that I talked with before the meeting were of the opinion that the passage of the amendment would be merely a perfunctory matter. From my conversations with several of the members after the meeting, I found that the majority could not understand why the amendment failed, which leads me to conclude that a vocal minority prevailed in the matter.

I would suggest that the president of each state society be asked to seek a resolution from each chapter in his state to derive the consensus of the membership. If the results prove favorable at the state level, then each state society could move to incorporate the rule in its code of conduct. Once a majority of state societies agree, presentation of the rule would probably find ready acceptance by the national membership.

JOHN J. BRETT
Johnstown, Pa.

I feel there are many times when communication with a fellow practitioner who has been replaced would not be courteous, and that a rule requiring such communication would force discourteous acts nearly as much as preventing them.

It is my observation that when a client changes accountants there is generally some feeling between the client and the old accountant, and communications from the new accountant are not conducive to improved feelings. When a client becomes dissatisfied with our firm's services or personalities, I would just as soon he left us quietly. If the successor were a friend, I would not want him to feel constrained in taking the engagement, and if he were not, I would not care to see him gloating over replacing us.

I think all public accountants must remember that it is the client's privilege to engage anyone he chooses, and to discontinue these services for any reason. After all, he is paying the bill.

W. A. KERNAGHAN
Dallas, Texas

FROM THE EXECUTIVE DIRECTOR

JOHN L. CAREY



Welcome to Beta Alpha Psi

THIS MONTH we welcome as readers of *THE CPA* about 1,500 members of Beta Alpha Psi, honorary accounting fraternity. These students at some fifty of the leading collegiate schools of business have been elected to the fraternity on the basis of superior achievement in their accounting courses. Many of them will become certified public accountants within the next few years. It seemed to the Institute's executive committee most desirable that these potential CPAs become aware as early as possible of what the present CPAs are doing and thinking—and what their problems are. An offer to the national officers of Beta Alpha Psi to provide free copies of this bulletin for distribution to the student members each month (except in the summer) was accepted with enthusiasm. The distribution is beginning with this issue.

It is hoped that this will prove to be only a first step in establishing closer communication between university students of accounting and the national professional organization.

Since communication is a two-way street, our new student readers are invited not only to learn what the Institute has to say, but to express their own views on professional matters. It would be helpful to the profession, for example, to find out what students think of the way accounting is being taught, of their experience as interns, of the fairness of the CPA examination, of the recruiting methods of accounting firms, and many other questions.

Letters from students which are of general interest may be published among readers' comments in *THE CPA*. Others will be referred to the appropriate Institute committees.

Beta Alpha Psi readers might like to know that several Institute committees, some of them new this year, are hard at work on problems in the fields of education and personnel selection. These include: the impact of Ford and Carnegie Foundation reports on accounting education; a possible curriculum for a fifth year of university study in accounting; evaluation of experience as a prerequisite for the CPA certificate; scholarships and other aids to education; standards for internship; improvement of the personnel-testing program; attraction of high school students to the study of accounting; increased participation of accounting teachers in Institute affairs; staff-training facilities for local accounting firms. Close liaison with the American Accounting Association is maintained through its officers and co-operative committees.

Better communication with students should enhance the Institute's ability to make useful contributions in all these areas.

We welcome the members of Beta Alpha Psi as readers of *THE CPA*. We hope they will consider themselves as potential Institute members. They are cordially invited to speak out freely on any matter affecting the accounting profession.

New Committee Explores Problems of Trade Groups

A meeting of the new committee on co-operation with trade associations, held recently in Washington, D.C., marked the first step in a large-scale Institute program to develop channels of communications with national trade and industrial organizations. Prior to the meeting Committee Chairman Fladger F. Tannery met with representatives of the American Society of Association Executives and the U. S. Chamber of Commerce, two national organizations whose membership includes almost every major trade association in the U.S. The committee reviewed current relations with these groups on the national and local level, and considered long-range plans for a study



Mr. Tannery

of accounting problems common to most trade associations, as well as provision of technical speakers from the accounting profession for major meetings and conventions of national trade associations.

OBITUARIES

(Membership date in parentheses)

BROCKWAY, ARTHUR L. ('26), 72, Price Waterhouse, Cleveland, Ohio.

BROWN, RAYMOND C. ('07), retired, Rowayton, Conn.

CALLAHAN, FRANK C. ('37), 74, Richard Smethurst & Co., Cincinnati, Ohio.

DEATHERAGE, C. E. ('25), 70, Federal Housing Administration, Washington, D.C.

HIGGINS, PHILIP A. ('38), 63, retired, Wilkes-Barre, Pa.

KESSLER, EMIL G. H. ('06), 87, retired, St. Louis, Mo.

KUBIK, FRED B. ('40), 56, F. B. Kubik & Company, Wichita, Kans.

LYNN, RAY C. ('36), 71, Ray C. Lynn, Certified Public Accountants, Lansing, Mich.

MAY, CONRAD L. ('39), 65, Thurston and Grider, El Paso, Tex.

NICHOLS, LOWELL ('42), 58, Peat, Marwick, Mitchell & Co., Louisville, Ky.

OSEB, ALAN R. ('52), 32, D. H. Shapiro Company, Philadelphia, Pa.

ROSSETTER, GEORGE W. ('13), past president of the Illinois Society of CPAs, formerly of Haskins and Sells, Chicago, Ill.

TORBET, A. W. ('22), 69, retired, Mundelein, Ill.

WASSERMAN, LEO ('23), Leo Wasserman & Co., Boston, Mass.

WHITLEY, JAMES R. ('57), 44, Peat, Marwick, Mitchell & Co., Des Moines, Iowa.

WYLER, RICHARD S. ('22), 75, Peat, Marwick, Mitchell & Co., Kansas City, Mo.

YINGER, ROBERT G. ('50), Main and Company, Pittsburgh, Pa.

CPA

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CPA

May 1960

New Dues Structure Approved at Active Four-Day Council Meeting

An unusually large number of recommendations for action were presented to Council by the executive committee at the May 2-5 meeting in White Sulphur Springs, West Virginia. Most but not all of them were approved. Major actions included:

- Adoption of a new schedule of membership dues (see box, p. 2)
- Amendment of a resolution, proposed by committee on qualifying experience for the CPA certificate, to provide that at least one year be in public practice; adoption of resolution that experience under a *licensed public accountant* as well as under a CPA should be acceptable
- Approval of submission to the membership of a by-law change which would permit CPAs who do not meet the Institute's experience requirement to become nonvoting associate members
- Defeat of a proposal to have a "president-elect" who

Keogh Bill still pending as Congress continues public hearings (p. 12)

A formula for the future—how the local accounting firm can plan for growth (p. 11)

Financial management for the average man—a symposium of members' views (p. 10)

Ethics committee issues opinion on distribution of literature (p. 9)

How to attract nonmember CPAs—ten reasons why membership pays (p. 7)



The entire slate of nominees for Institute office (1960-61), to be voted on at the annual meeting, posed together for the first time at Council meeting. Above (l. to r.): Thomas D. Flynn, for treasurer; Herman W. Bevis, for vice president; Louis H. Pilié, for president; Clifford V. Heimbucher, Edwin W. Norberg, Homer L. Luther, for vice president.

would be chosen a year before taking office as president

- Approval of a proposed by-law change to provide that state societies should submit at least two names for each membership on Council to which they are entitled, from which the nominating committee may make its selections
- Approval of a by-law change which would eliminate the provision for nominations from the floor at the annual meeting, but retain the provision for nominations by ten Institute members if submitted at least twenty days before the annual meeting
- Elimination of the \$10 initiation fee for new members, of future life memberships, and the \$5 reinstatement fee for those who resigned in good standing

- Defeat of a motion from the floor to continue charging members for the bulletins on management services; such bulletins produced in the coming year will be sent to members without charge
- Disapproval (by a vote of 79 to 74) of a recommendation of the committee on long-range objectives that concurrent membership in the Institute and state societies be made a requirement as soon as possible; approval of another recommendation of the committee on long-range objectives that by voluntary agreement the activities of the state societies and the Institute be co-ordinated to the fullest extent possible, with clear delineation of respective activities, and in particular they should adopt a uniform code of ethics and enforcement procedures



Anna M. Jackey is the first woman to serve as a committee chairman (new members); at right, Claude Hamrick, chairman, membership committee.

- Approval of submission to membership of an amendment of Rule of Professional Conduct 13, proposed by committee on professional ethics, which would prohibit expression of opinion on statements of a profit-making organization by a member who is connected with the organization as "promoter, underwriter, voting trustee, director, officer or key employee"; expression of the sense of Council that anything giving the *appearance* of lack of independence should also be prohibited
- Authorization for the president to make a special appeal to members for voluntary contributions to support the expanded research program
- Adoption of a revised budget under which the deficit for the current year is expected to be no more than \$112,000, instead of \$139,000 as anticipated earlier
- Adoption of a tentative budget for the next fiscal year which is expected to produce a surplus of \$75,000, assuming voluntary contributions of at least \$100,000 to support the expanded research program

New Institute Dues Structure

	Length of time CPA Certificate held	Old Rate	New Rate
1. Members, at the beginning of the fiscal year, engaged in public accounting practice as partners or individual practitioners	3 years or less over 3 through 6 years over 6 through 10 years over 10 years	\$20 \$20-40 \$40 \$40	\$25 \$35 \$45 \$55
2. Members whose principal occupation at the beginning of the fiscal year is employment by recognized colleges or universities or by government	3 years or less over 3 years	\$12.50 \$12.50-25	\$15 \$20
3. Members, at the beginning of the fiscal year, employed as staff accountants, or in industry, or in other occupations not specified in paragraphs (1) and (2)	3 years or less over 3 through 6 years over 6 through 10 years over 10 years	\$12.50 \$12.50-25 \$25 \$25	\$15 \$20 \$25 \$30
4. Members, who at the beginning of the fiscal year shall have been members for at least 20 years, shall have attained the age of 65, shall have retired from practice or other work, and have notified the Institute of these facts		\$5	\$10
5. International Associates		\$20	\$25

Elections

The Council elected seven members to serve on the Trial Board for



Chairman of the awards committee John H. Zebley (right) congratulates George D. Bailey, winner of the Institute's 1960 Gold Medal Award.

terms of three years: Arthur H. Bowen, Mo.; Richard S. Claire, Ill.; Warren B. Cutting, N.Y.; Robert A. Draper, Ohio; Robert J. Murphey, Ill.; L. H. Penney, Calif.; J. A. Phillips, Tex.

The six members re-elected to three-year terms on the Accounting Principles Board were: Gordon S. Battelle, Ohio, Carman G. Blough, N.Y., John B. Inglis, N.Y., John W. McEachren, Mich., Herbert E. Miller, Mich., and Hassel Tippit, Ohio.

Award

It was announced that George D. Bailey of Detroit, a past president of the Institute, and recently chairman of the special committee on the report of the Commission on Standards of Education and Experience for CPAs, had been selected as the recipient of the Institute's "CPA Medal," which will be presented at the annual meeting next fall.

Budget and finance

Louis H. Penney, chairman of the budget and finance committee, explained that with the adoption of the new dues structure, and the anticipated special contributions to support the research program, income in 1960-61 should exceed expenditures by about \$75,000. In 1961-62 the excess of income over expenditures should be about \$30,000, and in 1962-63 the budget should be approximately in bal-

ance. The surpluses for the next two years would reimburse the reserve fund for most of the deficits incurred last year and this year.

A motion from the floor to reduce the proposed dues for members who have held their certificates for less than three years from \$15 to \$10 was voted down. In the discussion of this motion, it was pointed out that the proposed dues increases were modest when compared to the inflation since the last dues structure revision in 1952.

Major committee reports

Weldon Powell, reporting for the Accounting Principles Board, introduced to the Council Maurice Moonitz of California who will be Director of Accounting Research, and Perry Mason, who will be Associate Director. At the same time, Council approved a recommendation of the executive committee that Carman G. Blough, Director of Research, be retained as a consultant after retiring in 1961.

Philip L. Defliese, chairman of the committee on auditing procedure, reported that the committee has under way a codification of the statements on auditing procedure, similar to the codification of bulletins on accounting procedure published as Bulletin 43.

Action on recommendations of the committee on long-range objectives, presented by chairman Herman W. Bevis, is reported above. Members of this committee remained in White Sulphur Springs for a two-day meeting after Council adjourned and presented a program before the Virginia and West Virginia societies on May 6.

William H. Holm, chairman of the Board of Examiners, reported that although the percentage of candidates passing the CPA examination on their first attempt is somewhat lower than in some other professions, the number of new CPAs each year is a higher percentage of the total number of CPAs than those admitted to the older professions.

Percival F. Brundage, chairman of the committee on long-range tax policy, presented a committee recommendation that the Institute should establish a commission to evaluate and prepare a critical report on suggestions for tax revision which have been advanced by such groups as the British Royal Commission ("Tucker Report") and at the hearings before the Ways and Means Committee last year. The study would include a review of the effect on the U.S. economy of present fiscal policies and a reappraisal of the continued



Prior to Council meeting the executive committee held a two-day session at the Greenbrier, White Sulphur Springs, West Virginia. Above (seated l. to r.): Executive Director John L. Carey, Thomas D. Flynn, Frank L. Arnold, President J. S. Seidman, Edward J. McDevitt, Russell S. Bock, Hatcher A. Pickens; (standing, l. to r.) J. Earl Pedelahore, Louis M. Kessler, Thomas H. Carroll, Alvin R. Jennings, Herman W. Bevis, L. H. Penney, and William P. Hutchison.

need for special tax provisions which represent departures from the general concept of a tax based on income. Mr. Brundage said that funds for a staff director for the commission would probably be available from a foundation, and Council approved the committee project on this basis.

The report of the committee on ethics of tax practice, presented by chairman Thomas J. Green, called attention to the inapplicability of some of the Institute's rules of professional conduct to the responsibilities of the CPA as a tax practitioner. He said that a study would be made of ethical problems CPAs are actually facing in tax practice.

William M. Black, chairman of the Board of Managers for the Professional Development program, told the Council that about 300 firms have already said that they would send juniors to take the staff training course to be given by the Institute next August.

The report of the committee on membership consultation, presented by chairman William P. Hutchison, included an announcement of a forthcoming brochure which would describe new services available to Institute members in the areas of practice management, accounting theory and auditing practice, tax practice, and management advisory services. The service will be initiated on a trial basis in two states.

Leslie Mills, chairman of the committee on Federal taxation, summarized numerous actions on proposed legislation, most of which have been previously reported.

National pension plan

In his report for the pension plan committee, chairman Ira A. Schur said that a highly advantageous plan for Institute members would be put into final form as soon as Congress acts on the Keogh-Simpson bill, whether the bill is passed or not. He urged all members to wait for announcement of the Institute plan before making any other pension arrangements.

Thirty-eight Technical and Professional Committees Give Council Activity Reports

Major committee reports and summaries of the others are available to members on request. Below are the highlights of the reports summarized for Council.

Accountants' liability and liability insurance. Continued advice to several societies now preparing plans. Number of state societies sponsoring liability insurance plans increased during past year from eleven to eighteen.

Accounting and office equipment. New committee began gathering and evaluating information about improvements in accounting and office equipment. It plans to issue reports as aid in conducting practices and in serving clients.

Accounting for public housing. Reviewed developments which suggest possible growing reliance on independent CPA audits as substitute for governmental examinations, including (1) decision of Public Housing Administration to permit local housing authorities to engage independent CPAs on reports to be submitted to PHA; (2) satisfactory "test" use of independent CPAs to audit construction costs in college dormitory program; (3) action by FHA to require check by independent CPAs

of certificates of actual cost in cooperative housing and nursing homes programs.

Admissions. Membership 36,360 in March. Two changes in admissions procedures installed. First reduces number of endorsements from two to one; second eliminates confirmation of employment record. Simplified application form now adopted.

Bank auditing. In preparation: revised draft of an audit guide, to be submitted to auditing procedure committee for clearance prior to distribution to interested groups for comment.

Bankruptcy and reorganization. Continued effort to amend General Orders in Bankruptcy to eliminate present requirement that compensation of accountants be fixed in advance by courts.

Continuance and acquisition of a practice. At December meeting subcommittees appointed to study critical areas including: education of members for advance planning to prevent emergencies; ethical implications of emergency programs (to be examined in consultation with ethics committee); and development of emergency program outline incorporating best features of existing plans.

Co-operation with bankers and other credit grantors. Two meetings held, one with a committee of Robert Morris Associates, where special emphasis was placed on the problem of substandard audit reports. RMA proposing establishment of exploratory committees of two bankers and two CPAs to review, on request, audit reports.

Co-ordination with state societies. Planning to review the program of the state society department in light of Council's decision



Past, present, and future Institute leaders. Above (l. to r.) current president J. S. Seidman; former president Louis H. Penney; and 1960-61 presidential nominee Louis M. Pilié.

on proposals of long-range objectives committee. Speakers bureau unusually active; thirty-nine engagements fulfilled since October and thirty-two more scheduled.

Economics of accounting practice. Assumed primary responsibility for development and execution of Institute's practice management program. Program has produced — over two and one-half years — thirteen separate bulletins on management of an accounting practice. Indirect benefits of program: use of bulletins as subjects for professional development courses; as material for discussions at local meetings; as bases for articles in professional journals. Committee developed a set of recommendations on future activities which is now under study by the executive committee.

Federal budgeting and accounting. Committee met with representatives of Budget Bureau, General Accounting Office and Treasury Department. Topics for future meetings include: full funding, payments between funds, promotion of cost-based budgeting, required annual reduction of public debt, and capital budgeting.

Insurance accounting. Scheduled soon: draft of an audit guide on reporting problems with respect to insurance companies in the fire and casualty field.

Insurance trust. Over 17,000 lives covered in group plan and over 4,000 under CPA plan. Over \$274 million insurance in force. Total dividend credited to trust almost \$1.9 million. Net annual cost: slightly over \$7.50 per \$1000 and a like amount of accidental death and dismemberment insurance. Committee views with concern development of competing insurance plans at state level, and is exploring ways of avoiding such competition.

International Congress. Planning committee has worked two and one-half years on arrangements



Andrew Barr, Chief Accountant, Securities and Exchange Commission, delivered an off-the-record talk to state society presidents on the subject of substandard reports which have recently come to the attention of SEC.

for Eighth International Congress of Accountants. Institute's 75th Anniversary will be celebrated September 22, 1962; Inter-American Accounting Conference will meet following the Congress.

International relations. Institute delegations participated in meetings in Australia and New Zealand. Plans for Fifth Inter-American Accounting Conference in November in Havana are proceeding.

Labor union and welfare funds. Conferred with top officials of Labor Department on forms, regulations, and instructional material for compliance with new financial disclosure laws covering welfare and pension plans and labor unions. Conferences with Labor Secretary Mitchell and assistants indicate greater reliance will be placed upon work of CPAs in administration of new statutes.

Local practitioners. Established need for more information on composition of profession, geographical dispersion, organization and dissolution of accounting firms, economic conditions of practice, etc. Executive committee approved formation of a statistical committee to study these questions.

Local governmental accounting. Reviewed new statement on competitive bidding for audit services, which is planned for release jointly with Municipal Finance Officers Association in fall. In preparation: digest of state laws governing use of independent auditors.

Management services by CPAs. Sale of first series of bulletins is over 7,700 — well above expectations — which makes project self-sustaining in first full year of operation. Possible future activity: new series to begin with a bulletin containing detailed instruction on how to conduct an administrative audit, designed to reveal additional opportunities for accounting services.

Membership and membership policy. Results are likely to exceed any previous year in history. Applications number 1,664 compared with 1,240 a year ago. New York's increase (401 compared with 197) due to special campaign.

National defense. Armed Services Procurement Regulation No. 50, issued by Defense Department last fall, includes new statement of cost principles for contracts with commercial organizations on which committee advised department for many years. Further conversations planned with Budget Bureau regarding Circular A-21's statement on cost principles for research and development programs under grants and contracts with educational institutions.

Natural business year. Successfully fostered enthusiasm for local campaigns by appointing members as "regional co-ordinators." Revised promotion kit being distributed by co-ordinators. Twenty-three state societies now have natural business year committees.

Personnel recruiting. New career film, "CPA," has been seen by 40,000 students in live audiences, and by more than half a million televisioners. "Accounting May be

the Right Field for You" reprinted for the fourth time (30,000). About 45,000 other pieces of career literature distributed.

Personnel testing: New Level II Achievement Test incorporated in this spring's testing program; another Level II test nearing completion for use in fall program.

Public school accounting. Reviewed financial reporting problems of public schools and of school lunch program. Committee plans to encourage members to assist local school authorities as a natural form of public service by the profession.

Public affairs. New committee appointed to advise on Institute taking stand on national issues on which accountants possess special authority and competence; will bring such issues to attention of executive committee with recommendations. In preparation: statement on Federal financial management, emphasizing need for detailed understanding in Congress of relationship between income and expenditures.

Relations with Interstate Commerce Commission. Committee discussed with Director of Bureau of Accounts accounting matters affecting railroads, including employee pensions and benefits, vacation pay accruals, tax refund claims, and amortization.

Relations with Rural Electrification Administration. New advisory committee met with REA representatives. One result: decision by executive committee to authorize letter to all REA auditors stressing importance of maintaining high professional standards.

Relations with the bar. New draft of statement of principles governing conduct of lawyers and CPAs who practice in association is being prepared by the National Conference of Lawyers and CPAs.

Any statement would not become effective until adopted by the American Institute and American Bar Association.

Relations with universities. New committee exploring ways of providing various forms of faculty residencies (work experiences) by public accounting firms as a means of improving accounting instruction. It will develop plans for student internships and recommendations to assist interested individuals and groups, state groups and the Institute in establishing scholarship programs.

Responsibility for clients' acts. Report on various types of problems arising from unlawful acts by clients being prepared for committee study.

Savings and loan auditing. Expects fall publication of revised "Audits of Savings and Loan Associations by Independent Certified Public Accountants."

Surety companies. Second of two booklets, "Auditing in the Construction Industry," issued in December. Enthusiastic response from surety companies, contractors, construction industry. First booklet, "Generally Accepted Accounting Principles for Contractors," reprinted in two periodicals for contractors.

Small business administration. Reviewed final regulations affecting SBA-licensed small business in-

vestment companies, and issued commendatory statement to SBA. Chairman conferred with agency officials on manual on audit requirements to be distributed through licensed companies to their own auditors. Committee also conferred with SBA administrator to urge more effective use of independent audits in SBA's direct loan program.

Statistical sampling. In preparation: report setting forth conclusions on applicability of statistical techniques in auditing. Also a step-by-step outline of the procedures to be followed in acquiring a basic understanding of statistical sampling techniques.

Trade associations. New committee held several conferences with top executives of three groups which act as national clearinghouses for trade associations: American Society of Association Executives, United States Chamber of Commerce, Department of Commerce. Increased number of requests have been received for speakers at trade association meetings and for articles to be published in U.S. Chamber's monthly magazine, *Nation's Business*.

Uniform accounting provisions of state corporation laws. New committee working on practical accounting and financial provisions for use in future corporate statutes. New York members assisting New York Joint Legislative Committee on revision of state corporation business law.

Uniform state tax provisions. New committee reviewing problem of state taxation of income derived from interstate commerce. Plans to develop recommendations for definitions of doing business, and a uniform method of allocating and apportioning income from interstate commerce. Will also review state tax decisions which present problems for businesses operating in interstate commerce.

Council Attendance—1960

Officers	6 of 6
Elected members	90 of 96
Members-at-large	8 of 9
Past presidents	15 of 23
State society presidents or presidents-elect	47 of 52
Committee chairmen (not on Council)	36 of 60

FROM THE PRESIDENT

J. S. SEIDMAN



Our Obligation to Nonmember CPAs

W E CPAs cannot thrive in isolation. Only through our combined efforts can we achieve our full professional capacity. That is why I would like to follow through on that part of my March 25, 1960 letter to each of you, in which I said: "We are 36,000 strong. But we are also 30,000 weak. The 30,000 are the CPAs not in the Institute. As long as any eligible CPA is not in the Institute, he is short-changing himself and us. Each member imparts strength to the others. You owe it to all nonmember CPAs whom you know to bring them into the Institute."

Why join the Institute?

A nonmember asks questions like these: (a) Can I afford it; is it worth it? (b) Isn't the state society enough for me; why do I need the Institute? (c) My partner is in the Institute, and I in the state society—doesn't that do it? (d) I am not in public practice. Isn't the Institute for the practicing CPA? (e) I am a staff man. Isn't the Institute for partners and proprietors? (f) Isn't the Institute run by and for the big fellows? (g) I can buy the literature. Isn't that all there really is to membership? (h) I'm just a drop in the bucket. Why do I need the Institute or it me?

What are the answers to these perfectly natural searching questions? I will give you mine. I will be able to cover only (a) this time. It is really the big one. But I will pick up the others in succeeding issues.

To a nonmember CPA who asks, "Can I afford to be a member of the Institute? Is it worth it?" I say—

You can't afford *not* to be a member. Here's why:

- (1) Your dues can be more than paid for in the savings on premiums on the Institute's group life insurance. You can get coverage up to \$50,000, without medical examination, at a saving of at least 30 per cent over similar protection bought on your own.
- (2) You'll also soon be able to participate in an Institute pension plan, enabling you to build up investment and retirement funds for yourself, likewise at a significant saving.
- (3) You get 36,000 CPAs working for you and with you, imparting to you their strength, professional resources, goodwill, prestige and fellowship. These things have a mighty potent force and dollars-and-cents value to you.
- (4) Your membership gives you standing with the business community, bankers, fellow CPAs, and others interested in getting a line on you. A recent survey by Dun & Bradstreet shows that bankers consider Institute membership a badge of reliability and keeping up on technical matters. Another survey showed that when CPAs from one area select CPAs from another to do correspondent work, the selection is made primarily through the Institute directory.
- (5) As part of your membership, you get these invaluable publications that keep you on top of the best and most advanced thinking in the accounting world: *THE JOURNAL OF ACCOUNTANCY*, *THE CPA*, *Statements by the Accounting Principles Board*, *Statements on Auditing Procedure*, *Audit Case*

Studies, and all future bulletins in the economics of accounting practice and management services series.

- (6) At modest cost you get: Practical up-to-the-minute seminars and sessions on fees, taxes, budgets, staff training, report writing.
- (7) Your membership gives you unlimited access to the Institute's 40,000-book library, the research help of the librarian, and the right to borrow books freely.
- (8) Equally important to you is the technical information service, through which you can draw on the experience of the profession for answers to your knotty accounting and auditing problems. Close to 2,000 problems a year are solved for members in this way.
- (9) Your membership gives you representation before Congress and the Federal departments. The Institute's Washington office is your eyes and ears on the national scene. It is the means of posting you on what is going on in Washington of significance to CPAs.
- (10) You are a beneficiary of a national public relations program conducted by the Institute on behalf of members. You couldn't possibly do that on your own.

The net of all this is that *Institute membership does not cost; it pays*. It is a sure-fire tax-deductible investment yielding juicy dividends.

Needs of the profession

I have listed only down-to-earth values that membership can bring. I have said nothing about the obligations the CPA has to his profession and to his national organization, or about his need to protect his CPA certificate.

And now getting back to us in the Institute. How does my answer sound to you? Help yourself to it. Improve on it. But above all, get your nonmember CPA friends into the Institute. As long as they are on the outside, they are shutting themselves off from all these values.

Prominent Speakers to Address Annual Meeting

► Invitations to speak at the 73rd Annual Meeting of the American Institute have been accepted by a number of prominent accountants, lawyers, and educators from the United States and abroad.

A partial list of the guest speakers for the September meeting includes:

- Joseph L. Carrigg, Director of Practice, IRS: "Ethical Problems Encountered by the Service"
- G. S. A. Wheatcroft, Professor at London School of Economics and Political Science, University of London: "Ethical Restraints on Tax Practice in Great Britain"
- The Honorable Glenard P. Lipscomb, Representative from California, U. S. Congress: "Better Relations Between CPAs and Non-certified Accountants"
- Professor William Cary, School of Law, Columbia University: "Interesting Features of the Proposed New York Corporation Law"
- Maurice H. Stans, Federal Budget Director, will be principal speaker at an orientation session for wives.

Professional Development Courses — May-June

ACCOUNTANTS' FEES

- Eau Claire, Wis.: May 19.
- Los Angeles, Calif.: May 21.
- Hollywood, Calif.: May 21.
- Portales, N.M.: May 21.
- St. Paul, Minn.: May 23-24.
- San Diego, Calif.: May 27.
- Billings, Mont.: June 4.
- Cincinnati, Ohio: June 6.
- Wilkes-Barre, Pa.: June 7.
- Baltimore, Md.: June 10.
- San Jose, Calif.: June 10.

REPORT WRITING

- Corpus Christi, Tex.: Friday evenings, June 3 through July 22.

For information on registration, write or call your state society or chapter office.

Experienced Practitioners Appointed to Instruct Junior Staff Training Courses

► The Institute's new staff training program designed for juniors in the smaller-sized accounting firms is ready to roll.

A teaching staff of active practitioners has been chosen, and the course material evaluated and approved.

In selecting the faculty for the program, primary consideration was given to CPAs who are currently in public practice. A number of them, however, have had previous teaching experience, or hold guest lecturer rank at colleges and universities.

The selection and editing of the course materials — almost a foot high — have taken more than a year. All materials have been subject to outside review, and revised in light of expert critical comment.

Among the subjects covered in the program are:

- Audit reports and audit programs
- Effective working paper preparation
- Internal control
- Audit procedures
 - Cash
 - Receivables
 - Securities
 - Inventories
 - Property, plant and equipment
 - Liabilities
 - Revenues and expenses
 - Payrolls

- Noncertificate examinations
- Income tax return preparation
- Accountants' legal responsibility
- Rules of professional conduct

Basically, the program is designed to fill a long-felt need — and often-voiced demand — for practical training at the local firm level. The materials to be used are actual documents, the situations actual cases from public practice.

The course avoids presentation of theoretical issues which the junior studied in school and does not cover those phases of work normally performed by a senior or partner.

It does not train juniors to be partners. It does train juniors to be competent juniors.

The cost, covering all institutional fees, text materials, and room and board, is \$275. For those who live in the host city, the cost — including weekday lunches and dinners — is \$225.

The sites and dates selected for the two-week program have now been confirmed as follows:

AUGUST 1-12, 1960

Purdue University . . . Lafayette, Ind.
Syracuse University . . . Syracuse, N.Y.
University of California
Santa Barbara, Calif.

AUGUST 22 - SEPTEMBER 2

University of Georgia . . . Athens, Ga.
University of Texas . . . Austin, Tex.

Inquiries or requests for enrollment forms should be addressed to Louis W. Matusiak, Director of the Institute's Professional Development Division.

New Booklet on "Special Reports"

Discussion and illustrations from actual practice of the reporting standards set forth in Statement on Auditing Procedure No. 28 are contained in the booklet "Special Reports," which will be mailed early next month to all members engaged in public practice or in teaching accounting. All members in one accounting office or firm, including partners and staff personnel, will receive individual copies.

Nonpracticing members may obtain copies without charge on request, and additional copies will cost \$2.50 each.

Numbered Opinion on "Distribution of Literature"

► The Institute's committee on professional ethics has issued the following:

Opinion No. 9 Distribution of Literature

There has come to the attention of the committee with increasing frequency printed material bearing a member's name and address or that of his firm, which is devoted either to informing others of the services the member or his firm is prepared to render or dealing with a specialized subject in a manner that might suggest the firm's ability to serve in a specialized field or geographical area.

The committee feels that such material is entirely proper when its distribution is carefully restricted to clients, but that failure to control the circulation of such literature directly or through third parties may place the member whose name it bears in violation of Rule 10 of the Institute's rules of professional conduct prohibiting advertising.

The committee believes that a member who produces any literature, or material which may be considered promotional in nature, must assume responsibility to guard and control its distribution. It is recognized by the committee that in isolated cases a client, not knowing the profession's restrictions on the distribution of such material, may pass on to the client of another member material he found of interest. Such an isolated instance would not necessarily be viewed as unethical practice. Where there is evidence that reasonable control has not been maintained to limit distribution of such material, it is the view of the committee that it must, in the interest of the profession, strictly enforce both the spirit and the letter of Rule 10, which provides "A member shall not advertise his professional attainments or services. . . ."

Was Your Copy Late?

► This issue of THE CPA was delayed to permit inclusion of a complete story of the Council meeting.

Last month, mailing was completed April 20, but we are informed that some members did not receive their copies in time to send comments to Council members before the Council meeting. Sorry — we will allow more time in the future.

NEWS NOTES

► Arrangements have been completed with the New Jersey Society of CPAs to present a pilot run of the newest professional development course, "Budgeting for Profit in Small Business," at Princeton, N. J., June 20-22. It is the first of a series of management services courses especially designed for use by small and medium-sized accounting firms.

► The Institute's committee on Federal taxation has sent to Chairman Byrd of the Senate Finance Committee comments on that portion of HR 9662 which would enact a number of recommendations of the advisory group on Subchapter J. Comments covered: effective date of changes, final returns of a beneficiary, exceptions to technical rules for distributions, and multiple trusts.

► Comments of the committee on local governmental accounting regarding a draft statement on competitive bidding for audit services have led to preparation of a revised draft which was discussed at the committee's meeting last month in New Orleans. The committee hopes to release it in the fall jointly with the Municipal Finance Officers Association.

► The Federal tax committee's subcommittee on administrative procedure and miscellaneous taxes met last month in Raleigh, North Carolina to review suggestions for improvement in tax forms, legislative recommendations, and a survey of members' experience with the Internal Revenue Service.

► A new sixteen-page manual, "Guide to Recruiting Activities in High Schools and Colleges," plus pattern speeches and leaflets for students, were in the recruiting kit recently mailed to all state society and chapter education committees.

► Techniques of office administration for the small business are covered in Bulletin No. 5, last in the current series on management services by CPAs. Entitled *Office Management in the Small Business*, the publication is scheduled for distribution late next month.

► Speakers are now available in most states from Maine to California on the important subject of es-



T. T. Shaw tate planning, according to T. T. Shaw, chairman of the estate planning subcommittee of the Institute's Federal taxation committee. State societies and chapters who wish to include this often-neglected subject in their programs may secure names by writing to the Institute's speakers bureau.

► The pilot run of the Institute's clinic on building an accounting practice, held in Washington, D.C., last month, was attended by 133 members from the District and the five surrounding states. The two-day "live-in" clinic featured speeches and discussions on serving clients, developing staff, planning a firm's growth, and the future of the local practitioner.

► The lead editorial in the *Chicago Daily News* for May 7, entitled "Word 'Audit' Should Mean Taxpayers Are Protected," was based on an editorial in the May issue of THE JOURNAL OF ACCOUNTANCY.

► The Institute has succeeded in its suit to restrain a Puerto Rican group from appropriating the name, American Institute of Certified Public Accountants. The decision was handed down by a judge of the United States District Court, Puerto Rico, on April 7, 1960.

LETTERS

ED. NOTE: *The heaviest response yet received greeted John Carey's "Financial Management for the Average Man" which appeared in the March CPA. This month's correspondence column is devoted entirely to that subject.*

On two occasions recently individuals have come to me with their personal financial problems. In both instances I believe we were a help. We did not experience complete success because we were unable to maintain control of the client. This leads me to believe that the advisement on personal affairs requires a great deal of follow-through to see that suggestions are carried out. . . .

HERBERT W. QUINN
Moses Lake, Wash.

. . . we are not really doing a professional job in the broad sense of the term. We should certainly attempt to serve more of the pub-

lic than we now do. . . . Our experience . . . has convinced us that the average citizen will welcome assistance from a CPA within most any area of the CPA's competence and is willing to pay reasonably well for the services rendered.

MAX MYERS
Joplin, Mo.

In my seven years of association with the Mayo Clinic, personal financial management counseling has been an accentuated demand because of the close relationship with a large professional staff. We spend time with such problems as ordinary family budgeting, general and life insurance programing, family housing decisions, and advice on retirement planning.

My feeling is that men in public practice can certainly find this to be a very satisfying and practice-building service.

ODEAN C. ERICKSON
Rochester, Minn.



About 3,500 guidance counselors saw the Institute's new recruiting film, "CPA," at the annual convention of their national professional society, the American Personnel and Guidance Association, in Philadelphia last month. Film was exhibited at the Institute's booth on a seminar screen (above). Plans for showing "CPA" are included in the Institute's "Guide to Recruiting Activities in High Schools and Colleges."

In a small town I continually see this need. Individuals come into town and buy some kind of business enterprise. They quickly find that they have made a mistake which could have been avoided if they had consulted a CPA.

LEONARD HOUGHTON
Saranac Lake, N. Y.

If the Institute could assemble an outline of the information required and then set up standards or rules of thumb, it would be helpful.

KENNETH I. DAVIS
Maywood, Ill.

In our office we maintain a separate section known as our "Business Administration Department." Service to our clients usually includes the physical maintenance of checking accounts, payment of bills, deposit of receipts, preparation of budgets and financial reports, and finally preparation of tax returns.

This service, developed primarily for entertainers in show business, reached to executives in the entertainment field and now to executives in many industries who have neither the time nor capacity to maintain good financial records.

ELI MASON
New York, N. Y.

If the Institute could work up a management services booklet covering this area, I would be happy to pay a special fee for it.

LESLIE A. HEATH
Charlotte, N. C.

When an accountant gets his certificate, he is given certain rights, and with them go certain duties, one of which is a responsibility to service members of the community who are in need of services but who cannot afford them. This responsibility is found in every profession, and most of the professions have accepted it in some manner. But in no way that I can find have the accountants accepted this responsibility and lived up to it.

PHILIP FELTMAN
Clifton, N. J.

For the CPA to offer services to his clients' employees seems to me to be pretty impractical. For one thing, it might injure the relationship with some clients who might feel the CPA was just grubbing for additional work, or that the cost would find its way into the clients' own bill, or that the CPA is implying that the client can not adequately advise his own employees.

Assuming that the CPA avoids all these pitfalls, isn't he apt to subject himself to a lot of silly, time-consuming questions, and how can he turn them off when he invited them himself?

JOHN H. MICKELSON
New York, N. Y.

I consider it an excellent project for the Institute. We have had a number of clients referred to us by doctors. Apparently the root of their problem was family finances.

THEODORE A. CERWIN
San Antonio, Tex.

I have for several years worked with a local bank, whose officers send me some of their "risky" cli-
(Continued on p. 12)

Correction

In my column in THE CPA for December 1959, I said, in referring to the defeated rule of conduct requiring notification of predecessor accountants, "the American Bar Association has similar requirements." I have been convinced that this statement was too sweeping. The ethical concepts of the Bar provide that an attorney replacing another in a case pending in the courts should notify the predecessor, and that when a new attorney replaces one who is unfaithful or neglectful of the clients' interests, the former is expected "generally" to communicate with the displaced attorney. But there is no broad requirement that an attorney asked to serve a client for the first time must communicate with any attorney who may have served the client before. J.L.C.

FROM THE EXECUTIVE DIRECTOR

JOHN L. CAREY



The Future of the Local CPA Firm

THE future of the local accounting firms is a frequent topic of discussion these days. From my observation the future is very bright for many local firms — those firms which are planning and working hard to equip themselves to give their clients the accounting help needed to compete successfully in business.

A CPA of wide experience said recently that the major problem of local firms was getting and keeping good personnel, and that this required a fee structure which would support adequate compensation.

A survey of salaries offered beginning juniors this year showed \$6,000 being paid to one outstanding possessor of a master's degree. Among well-established local as well as national firms, \$5,400, \$5,200, \$5,000, \$4,800 are common salaries for college graduates.

These compare well with industry scales. Yet some CPA firms are offering \$3,000 and \$3,600. Allowing for varying living costs in different areas, this spread suggests that the low figures are unlikely to attract promising college graduates in the highly competitive manpower market.

The Institute's bulletins on Economics of Accounting Practice include studies on development of adequate fee structures, as well as getting and keeping good men. An Arizona Society survey showed that only 25 per cent of public accounting offices including one to three persons subscribed to these bulletins. Of offices with four to seven people 59 per cent subscribed. Of those with more than seven people, 92 per cent subscribed (12 of 13 firms reporting). Can it be assumed that those who were not interested felt they were too small to be concerned with such subjects?

Adequate fees must, of course, be based on service worth the cost. An individual practitioner in the midwest writes, "Management does not care what you charge if they see an advantage in it. Nothing is high priced if it brings you a profit." This CPA concentrates on constructive service — solving the clients' current problems. The audit is a means to an end. The end may be inventory control, or cost analysis, or budgetary control — but this CPA avoids these technical terms, "which will quickly scare the small business man." The CPA talks practical business in a language that means something to the client. This CPA is not worried about his future.

Thousands of local accounting firms are growing healthily. It is frequently said that the potential needs of small business for accounting aid are far greater than the supply of trained accountants. Literature and continuing-education courses are available to CPAs who feel that they need to know more about their profession.

Perhaps the only CPA who should worry about his future is the one who is too busy to think about where he is going!

Letters Continued

ents for the express purpose of reviewing their finances, budget, etc. It has worked very well. The bank is happy, the customer is pleased, and I have developed loads of good will both for the profession and myself.

MARIO DI BELLA
Los Angeles, Calif.

Your suggestion is a splendid one. Because I am chairman of public relations for the state of Connecticut, I am eager always to develop in the layman's mind the appropriate image of the CPA, and to secure for the Institute and the state society the best of top-level publicity.

HENRY BERNNARD
Bridgeport, Conn.

... not until the CPA becomes a household word will this profession really rival the traditional ones.

S. A. TESORIERE
New York, N. Y.

Keogh Bill Still Pending as Congress Hearings Continue

► Action by the Senate Finance Committee on HR 10 has been delayed to permit public hearings on proposals made by the Treasury as an alternative to the bill.

The Committee excluded further testimony on the provisions of the original bill. The hearings which were held last year were, in the Committee's view, sufficient for consideration of the House-passed bill and related amendments.

As this issue goes to press the Finance Committee appeared ready to give its approval to a compromise, embodying part of the Treasury recommendations, which would require any principal or partnership establishing a pension plan under the bill to include employees with five years' service.

Favorable action on some sort of legislation is looked for before Congress adjourns.

OBITUARIES

(Membership date in parenthesis)

ROBERT T. ALLEN ('33), 60, own account, Elizabeth, N.J.

DONALD G. CHAFFEE ('53), 52, own account, Berkeley, Calif.

ALEXANDER O. CUSHNY ('22), 69, retired, Danbury, Conn.

RAY HILDEBRAND ('49), 60, own account, San Francisco, Calif.

A. G. KLANG ('53), 47, Aerojet General Corp., Monrovia, Calif.

MELBOURNE S. MOYER ('06), 79, Brooklyn, N.Y. Mr. Moyer was formerly manager of the Fulton Trust Company, and until his death was secretary of the Accountants Club.

DONOVAN READY ('39), 60, Donovan Ready and Company, Meridian, Miss.

W. H. ROGERS ('33), 59, American Optical Co., Southbridge, Mass.

ALBERT WAXMAN ('51), 46, Lybrand, Ross Bros. & Montgomery, Los Angeles, Calif.

WARREN H. WHITE ('19), 73, own account, Boston, Mass.

CPA

THE CERTIFIED PUBLIC ACCOUNTANT

*membership bulletin of
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June 1960

**Senate Finance Committee
approves self-employed
pension bill (p. 2)**

**A nationwide roundup of
current developments in
state legislation (p. 3)**

**The Institute in
relation to the state
societies (p. 7)**

**Institute Trial Board
finds four members
guilty (p. 2)**

**Meeting the arguments of
CPAs who are not Institute
members (p. 4)**

First Run of Clinic on Building A Practice Wins Strong Approval

ONE hundred and twenty-five members met in Washington, D.C., last month to participate in a pilot run of "Building an Accounting Practice" — the newest course in the Institute's professional development program.

The results won't be in for a decade or two, but preliminary ratings by those attending ranged from 98 per cent ("excellent") to 100 per cent ("would attend another program"). Random comments were equally enthusiastic: "Worth the price 100-fold." "Could not have imagined such precise planning." "Exceptionally well-balanced." "There are 125 converts to the belief that the Institute has the welfare of the small practitioner at heart."

Most of those attending were just that — individual practitioners, and partners from two-, three-, four-, and five-man firms.

All registrants for the program had been polled in advance on areas of major interest and specific problems they



In his opening remarks Rod Parnell (at microphone), who organized and conducted the two-day session, urged those present to bring up the most pressing problems facing them. John L. Carey (front row center) welcomed the group.

would like to have discussed. The course itself had its origins in the Economics of Accounting Practice Bulletins. In developing that series,



Mr. Lewis

Rod Parnell of the Institute's staff had more than two years of experience in interviewing local practitioners on their specific day-to-day problems. From these and other sources the materials were chosen, and topics and speakers selected.

Breakup by topic

The two-day course was broken down into four half-day sessions. On the first morning Ralph Lewis of New York City (see cut) spoke for 45 minutes on how to expand services to small clients.

The session then broke up into five groups. Each group took one aspect of the major topic and, under an assigned discussion leader, delved into the specifics — the hows and whys. The first part of the discussion period was centered on a "core" question assigned to the group in advance. These were selected from the more common of the questions submitted in advance by the participants. The discussion leaders were all top-flight educators with a first-hand knowledge of practitioners' problems.

The next session followed the same pattern, with R. Bob Smith of Miami taking a dead aim on how to get more clients. It was after 5 P.M. when the question period ended, and one man remarked, "I feel like I'd just inventoried a brain mine."

The staff side

Promptly at 9 A.M. L. C. (Jake) Yeager led off the third session on how to develop a staff — from undergraduate recruiting to the ticklish problem of evaluating a staff man's future.

Core questions centered on cur-

rent practices in overtime compensation, profit-sharing arrangements, and starting salaries.

Unusually frank exchanges marked the discussion sessions which followed. For many these capsule cases — actual experiences of the other fellow — were among the most highly rated features of the program.

By the time of the closing session, a good deal of enthusiasm had been generated, and expressions of "The first thing I'm going to do when I get back is . . ." were often heard. The last session, aptly enough, was devoted to planning for growth, with Iowa's George Hansen in the speaker's role.

In the design of a program such as this — dealing with the administrative problems rather than the technical aspects of accounting practice — there are bound to be certain reservations on the part of the designers about the success of the presentation. The enthusiastic response of the first group, therefore, was doubly satisfying.

This vote of confidence — including an unprecedented amount of unsolicited praise — gave the go-ahead to the Professional Development Division.

With minor modifications as a result of the pilot run, the course will be offered throughout the country next fall. Many members may then echo the verdict of a local practitioner who called the program "the most vivid two days in my professional life."

Senate Gets Pension Bill

As this issue of The CPA went to press, the Senate Finance Committee had just reported favorably a bill to provide tax relief for pension plans for the self-employed. The bill, nearer to Treasury proposals than to the Keogh-Simpson measure passed by the House, would require approved pension plans to cover employees with more than three years' service.

Trial Board Finds Four Members Guilty

► The Institute's Trial Board, at its meeting in White Sulphur Springs, West Virginia, on May 3, 1960, considered charges presented by the ethics committee against four members. The Trial Board found each guilty of an offense which rendered him liable to suspension or expulsion.

All four members appeared in person at the trials, and one was represented by an attorney.

Certificate revoked

In the first case heard, the charge was that the member had become liable to expulsion or suspension from the Institute because his certificate as a certified public accountant had been revoked by a state board of accountancy. The member involved indicated that he will ask a court to review the decision of the state board revoking his certificate. The Trial Board suspended him from membership in the Institute for two years, the maximum period permitted for such suspension, and ordered that he be expelled upon the expiration of such period of suspension unless it appeared at that time that his certificate as a certified public accountant had been reinstated by the state board of accountancy.

Registration statements

The next case involved charges that two members had committed acts discreditable to the profession in connection with a matter pending before the Securities and Exchange Commission, for which they had been disciplined by that body. The two members were partners in the practice of public accounting. They were the only partners in the firm. One of them was the president, treasurer, a director, and the owner of the majority of the voting stock of a corporation which had filed a registration statement and prospectus with the SEC. Not

withstanding this, the other partner in the public accounting firm mentioned signed the accountant's statement which certified to the balance sheet of the registrant filed with the registrant's prospectus.

The two members involved testified that they were unfamiliar with practice before the SEC, never having appeared there before; that an attorney had been engaged by the registrant to handle the matter before the SEC, and that they relied upon him as to whether all of its requirements had been met.

Neither the registration statement nor the prospectus disclosed the partnership relationship between the two members. They testified that this was not due to any intentional concealment on their part, and that the failure to make this disclosure was the responsibility of the attorney mentioned previously.

The registration statement never became effective, as it was withdrawn. No securities were sold and, consequently, no one was injured by the failure to disclose the relationship between the two members involved.

The Trial Board found them both guilty of acts discreditable to the profession. It suspended one of them for thirty days and the other for six months.

Suspension of certificate

In the last case heard, the Trial Board found the member guilty of an act discreditable to the profession, in that he had been convicted, on his plea of *nolo contendere*, upon a charge of embezzling a small amount of funds of his employer. The board of accountancy which had issued his certificate as a certified public accountant previously held a hearing and suspended his certificate for a period which commenced May 9, 1960, and expires 180 days after May 12, 1960. The Trial Board suspended his membership in the Institute for a period coinciding with that of the suspension order of the board of accountancy.

New Developments on the Legislative Front

CPA regulatory legislation continues on the increase, and a number of states have recently raised professional standards. The total number of states with regulatory laws is now thirty-three. What follows is a summary of activity in those states which effected changes in professional requirements during 1960.

Alaska. An amendment to the regulatory accountancy law which brings it into closer conformity with the Institute's Form Bill was recently approved. The definition of accounting has been eliminated, and educational requirements have been raised to include two years of college (effective in five years).

Arizona. Minimum auditing standards, provisions for temporary practice permits, registration of CPA partnerships, and certain administrative changes have been incorporated in newly enacted legislation sponsored by the Arizona Society.

Kentucky. A new law, effective June 16, 1960, authorizes the State Board of Accountancy to take disciplinary action against anyone registered to practice in Kentucky for "conduct discreditable to the accounting profession."

Massachusetts. The Board of Registration of CPAs has revised its rules to require CPA candidates, after December 1, 1966, to have a bachelor's degree, with an accounting major or the equivalent, from a college approved by the board.

Nevada. Nevada is the thirty-third U.S. jurisdiction to enact a regulatory accounting statute.

The new law was sponsored jointly by Nevada CPAs and PAs, and provided for registration of PAs now in practice. Until April 1, 1963, PA licenses may be issued to those passing two parts of the Uniform CPA Examination. The measure also provides for the stepping-up of educational requirements until, by April 1, 1969, CPA candidates must have completed four years of college with a major in accounting.

New York. A bill signed by the Governor and supported by the New York Society protects the constitutional rights of New York-chartered corporations engaged in public accounting prior to July 1, 1959, by permitting them to continue such practice. It also extends the "internal processing" date of the 1959 law from April 1, 1960 to April 1, 1961.

Virginia. The Governor has approved CPA-sponsored legislation that would gradually increase educational requirements for the CPA certificate. This amendment to Virginia's accountancy statute provides that after July 1, 1970, CPA candidates must have "120 semester hours of credit from a college or university accredited by the State Board of Education or courses approved by the State Board of Accountancy at any other school . . ."

FROM THE PRESIDENT

J. S. SEIDMAN



Helping Nonmembers Become One Of Us

MY THEME again is: "As long as any eligible CPA is not in the Institute, he is short-changing himself and us." That is why I say you owe it to yourself and all other CPAs to bring into the Institute any nonmember CPA you know.

In the last issue, I outlined my answer to the nonmember who asks, "Can I afford it; is it worth it?" I listed ten reasons why he can't afford *not* to be a member. That list will be referred to here as (A) in the answers that I give when other pointed questions are raised by nonmembers.

"Isn't the state society enough for me; why do I need the Institute?"

1. Membership in the state society and not in the Institute is like riding a horse with only one foot in the stirrup. The state society does a wonderful job; it is important for you. But the state society will be the first to tell you that it couldn't give you all you are getting without the Institute. The state society is, in a sense, the retail outlet for national policies formulated by the Institute.

2. Accounting is national. Debits and credits know no state boundaries. The Institute is the national organization of the profession. It is the only one that represents you and talks for you on the national level. It likewise develops accounting and auditing principles for the profession. The same goes for the broad-scale national public relations programs aimed to give the business and financial community a better understanding and appreciation of you as a CPA.

3. Just run down list (A) and

see for yourself how many items apply only to Institute membership.

"My partner is in the Institute, and I in the state society — doesn't that do it?"

1. Your partner is sitting pretty, but where does that leave you? Your partner's membership doesn't bring you any of the benefits in list (A) that are purely personal. Your partner's membership doesn't enable you to get pension benefits, prestige of Institute membership, the valuable listing in the Institute directory, standing in the community, the fellowship and strength of 36,000 CPAs.

2. Sure you can horn in on literature and some of the other things, but that is a skimpy approach that doesn't do you or your firm any good in the other fellow's eyes.

3. With you as a member, your firm can get the prestige of calling itself "members of the Institute." As you now stand, only your partner can show the tie-in with the Institute, and your own status suffers by comparison.

"I am not in public practice. Isn't the Institute for the practicing CPA?"

1. The common bond of the Institute is the CPA. The Institute serves all members — in or out of practice.

2. To insure the active participation of the nonpracticing CPA in the life of the Institute, committees from members in industry, education, government have been set up. Nonpracticing CPAs are on al-

most every appointive committee in the Institute.

3. There are a few areas of committee and official life where the need for professional independence makes it necessary that the practicing CPA alone be involved. It is also to be expected that a good deal of emphasis be given to CPAs in practice since they give accounting its "professional" status. That is why dues for nonpracticing CPAs are about 40 per cent less than for practicing CPAs. However, the Institute is the home for all CPAs, regardless of their vocational outlet.

4. There are now nine thousand nonpracticing members in the Institute. Their number has been increasing. Those who become members stay in and attract more. Nine thousand nonpracticing CPAs can't be wrong!

5. Just run down the list of benefits of Institute membership under (A). Practically every one of them applies equally to the nonpracticing CPA.

"I am a staff man. Isn't the Institute for partners and proprietors?"

1. Some of the things just set forth about nonpractitioners likewise apply to staff men, including the lower dues. In the Institute a CPA is a CPA, be he employer or employee.

2. There is a committee dealing exclusively with the role of staff men in the Institute. The work of that committee is to insure close, active ties for CPA staff men in the Institute.

3. A staff man who grows up in the Institute, grows up in his work, has that much jump and advantage over a staff man who has delayed membership and who has therefore deprived himself of all the progress membership makes possible.

"Isn't the Institute run by and for the 'big fellows'?"

1. The answer is "no" — emphat-

ically. The so-called big fellows help provide inspiring example and leadership, but the Institute is run by the cross section of its membership. Just go down the list of past presidents, executive committee, Council, technical committees, and you'll see that the average member, not the "big fellow," is kingpin. Merit, and merit alone, controls. Merit is not confused with size.

2. See list (A) of membership benefits. They are attuned to the individual CPA. Size has nothing to do with it.

"I can buy the literature. Isn't that all there really is to membership?"

1. You can buy the literature. But just run down list (A) and you'll see that literature is only one element, among very many, in the benefits of membership.

"I'm just a drop in the bucket. Why do I need the Institute or it me?"

1. Every "drop" is precious. The bucket is only as important as the 36,000 drops composing it. Each of the 36,000 imparts dignity, skill, and fellowship to the others.

2. You, alone, have neither the time nor power to take effective action on standards, ethics, research, legislation. But your "drop" surely adds that much more weight to the bucket. It provides that much more influence with legislators, clients, the public. It enables that much more in Institute service and benefits to you.

3. The main purpose of the Institute is that each member come off the better for his membership. Each member is prized as much as the other. Each member counts. Each member benefits from resources larger than his own. Each member widens the personal contact and outlook of the other. Every CPA has a stake in the Institute. Every CPA has an opportunity through the Institute.

NEWS NOTES

► The Institute's annual award to a member of Junior Achievement, Inc., was presented by Dr. Paul E. Fertig, president of the Columbus chapter of the Ohio Society of CPAs, to Gary Miesse of Columbus. The \$250 scholarship award is part of the Institute's recruiting program to interest outstanding high school students in the accounting profession.

► A \$1,000 scholarship is being awarded annually by the New Jersey Society of CPAs to the New Jersey high school student who makes the highest grade on the Institute's orientation examination. State and chapter organizations throughout the country now offer thirty-five such awards to high school seniors planning to major in accounting.

► A proposed statement on "Accounting for Nonprofit Organizations" was prepared by the committee on accounting for nonprofit organizations, and submitted to the Accounting Principles Board. Action has been deferred for further study by the accounting research division, which has begun work on this subject and five others as its initial projects.

► A meeting of the committee on co-ordination with state societies has been scheduled for June 27



Mr. Barnes

in New York, according to Chairman Richard L. Barnes. The committee will study means of implementing the Council-approved objective that the activities of the state and national organizations be fully co-ordinated and that their areas of responsibility be clearly delineated.

► The Institute, through its management services department, participated recently in evaluating proposed research projects to be financed by the Small Business Administration. The Institute recommended two of five proposals submitted as particularly worthy of SBA expenditure and backing; both projects were later adopted by SBA.

► *The Chartered Accountant of India* is currently serializing excerpts from Bernard B. Isaacson's



book *Guides to Successful Accounting Practice*, which was published last year by the American Institute. Mr. Isaacson has been editor of *THE JOURNAL OF ACCOUNTANCY's* Practitioner's Forum department since 1957. Parts of the book appeared in the May 1960 issue of the Indian periodical.

► Contact has been established by the committee on securities brokers and dealers with all state securities administrators and heads of securities exchanges. The Institute committee has offered assistance in accounting, auditing and financial reporting. Committee members also have held conferences with the staffs of SEC and the New York Stock Exchange about their audit regulations.

► The statistical sampling committee met early this month in New York City, to continue its work on a statement of conclusions as to the usefulness of statistical techniques to independent auditors, suggestions for revision of the Codification of Statements on Auditing Procedure, and a readers' self-instruction guide.

LETTERS

Financial management for the average man?

(ED. NOTE: *Letters continue to come in regarding John L. Carey's provocative column in the March CPA.*)

I think it is possible for the American people to learn to value the services of the CPA without necessarily being business clients. I hope the American Institute will delve into the needs of people for planning and budgeting, and that we may be of service even as you suggest through advisory clinics.

ALBERT MASS
Los Angeles, Calif.

I have for a long time felt that it would be practical to set up a fee schedule on a "consultation basis." Let us suppose that research would show that the average consultation would run to one half hour, for example. We could then set a fee of so many dollars for this consultation on the theory that the short and the long would average out.

Perhaps some place in the United States a group of accountants would be willing to set up a pilot program

and offer themselves as guinea pigs for the good of the cause. I know I would be willing to do that.

RICHARD C. REA
New Philadelphia, Ohio

It may be that this is the reason we little CPAs are so busy . . . I have been giving a lot of financial advice to the average man ever since I have been in practice.

HOBART S. HUTZELL
Wheeling, W. Va.

Your suggestion of "free financial clinics" in the March issue is an excellent idea. I am for it. The public relations value is inestimable. I might add that Institute members should be required to serve on a rotating basis.

ROBERT GRAY
Philadelphia, Pa.

In a small town like mine an accounting practice is dependent upon a limited number of clients and on the services which the CPA can perform for them. My practice has grown and developed through efforts to perform various services. Anything that can be done to pub-

licize the qualifications and background which CPAs have that will benefit the average man will enhance the status of the CPA. The community should know that he is concerned with the welfare of everyone having financial difficulties.

DANA R. PICKUP
Wellsville, N. Y.

I consider it an excellent project for the Institute. We have had a number of clients referred to us by doctors. Apparently the root of their problem was family finances.

THEODORE A. CERWIN
San Antonio, Tex.

The establishment of such "Financial Advisory Clinics" should be of interest to our friends in the legal profession who find themselves with problems of small estates and domestic relations problems involving alimony and child-support payments.

WILLIAM J. SEIF
New York, N. Y.

The article makes a lot of sense to me. A copy of *The Richest Man in Babylon* by George S. Clason came into my hands quite by chance about twenty years ago while I was a student having a very difficult time with my personal finances. The book has proved so helpful to me over the years that I have given copies to anyone who could benefit from it.

FRANK DULIN, JR.
Fort Wayne, Ind.

This presents a new field of service for the CPA. Especially to young couples, the CPA can offer valuable counseling, relative to a simple personal budget to follow, how much to spend for a home, and other pertinent details on money management. I believe that expansion in this area can be accomplished to a limited degree.

HARRY G. BROWN
Buffalo, N. Y.

There are three problems to be given special consideration: (1) What is an average man? (2) He must feel a need for such advice;



Professional hospitality was extended by the newest state last month when President J. S. Seidman and Mrs. Seidman arrived in Honolulu. Above (l. to r.) Frank Hough, president, Hawaii Society of CPAs; David O. Gillette, Hawaii's elected Council member; President Seidman; Mrs. Seidman; and Valentine L. Tennent, president-elect of the Hawaii Society. Mr. Seidman spoke at the University of Hawaii and the Honolulu Lions Club. His total travel since becoming Institute president is nearing the 30,000 mile mark.

(3) The CPA must show by personal example his qualification to give personal financial advice.

For a number of years I have been interested in this field — not to make money, but to make practical use of what I have learned from both professional and personal financial experience.

EMMETT B. DAY
Houston, Tex.

I was very much enthused by the article. Let me express my wholehearted desire that the Institute train its members properly to undertake such engagements.

FRANK A. HAGAMAN
Jackson, Miss.

In this day and age there is scarcely an individual who wouldn't consult with an independent financial or business adviser, rather than members of his own family, about the matters referred to in Mr. Carey's article. However, rarely does he think of going to a CPA. . . . The idea should be approached with vigor and imagination.

EDWARD I. ASTROF
Chicago, Ill.

I know of all too many \$20-30,000 a year men who are always on the verge of financial collapse. But who will be first to take their eyes off status symbols? Is the CPA to direct their thinking to the basic values in life?

B. G. BIXLER
El Paso, Tex.

Professional Development Courses

June 15 — July 15

ACCOUNTANTS' FEES:

- Chicago, Ill.: June 24
- Portland, Ore.: June 29
- Chicago, Ill.: July 8

REPORT WRITING

- Grand Forks, N.D.:
June 20 and 21

BUDGETING:

- Princeton, N.J.:
June 19-22

FROM THE EXECUTIVE DIRECTOR

JOHN L. CAREY



Relations With State Societies

AT THE RECENT Council meeting it was proposed, as an objective, that in future no one be admitted to the Institute unless he joined his state society, and no one be admitted to the state society unless he also joined the Institute. The proposal was defeated, 79 to 74.

Clearly the objective could be attained only by voluntary agreement between the Institute and individual state societies. One purpose was to eliminate duplication of expense and energy in efforts to acquire and retain members in the state and national organizations. Another purpose was to remove the temptation to join either a state society or the Institute, while indirectly receiving the benefits of both.

The close vote shows that there are good arguments on both sides of this proposition. But in the debate one argument was advanced which seems to call for some comment by me — that the Institute should not dominate the state societies, nor stifle their initiative.

As the Institute grows larger and stronger, it is no doubt natural that its motivation should be questioned from time to time. The question deserves frank examination.

Absolute power over Institute policy rests in the Council and the executive committee, composed of CPAs from all parts of the country who are loyal and active members of their state societies. They have no interest in Institute domination.

How about the staff? I recognize that it is easy to assume that the staff is eager to expand the scope of its operations and influence, in traditional bureaucratic style. But, in spite of Mr. Parkinson, it isn't so.

In the first place, my associates and I are tightly controlled by the policy makers — all independent CPAs. But, in addition, we are fully occupied with work that can be performed only in the national organization. For the foreseeable future we have more to do than we can handle. Moreover, we believe that the success of the Institute's program depends on the support of strong, active state societies, and that this needed support would not be likely to come from societies whose interest and initiative had been dulled by centralized control.

These statements may be taken by some as self-serving declarations — "protesting too much." But it seems to me desirable, despite that risk, to put myself on the record: I favor the Institute's relinquishing to the state societies any and all functions which they can best assume in the interests of the profession as a whole. A committee is now studying the question of what these functions are.

I hope this may help to clear the air for consideration of the common-membership proposal on its merits. It may have flaws. But there is no basis for fear that it would undermine the independence of either the state societies or the Institute.

MEMBERS IN THE NEWS

JAMES N. BUCCALO of Keller, Kirschner, Martin & Clinger, Certified Public Accountants of Columbus, Ohio is the first CPA to be licensed under the new Ohio law. Ohio Governor Michael V. DiSalle (right) presented the certificate to Mr. Buccalo, a former president of the Ohio Society.



Newly elected national president of the four thousand-member Federal Government Accountants Association is RAYMOND EINHORN, director of audits, National Aeronautics and Space Administration.

MAURICE H. STANS, Director of

the Budget, was elected to Ohio State University's Accounting Hall of Fame, and was honored last month at ceremonies connected with Ohio State's Institute on Accounting. He addressed the meeting on "The World's Biggest Balance Sheet."

JOSEPH CAMPBELL, United States Controller General, was awarded the honorary degree of doctor of laws by Columbia University at commencement exercises June 2.

OBITUARIES

(Membership date in parentheses)

ROBERT T. ALLEN ('33), 62, own account, Elizabeth, N.J.

LOUIS A. ATZ ('41), 68, L. A. Atz Company, New York, N.Y.

CLARENCE L. COE ('40), 56, Kennedy and Coe, Salina, Kans. Mr. Coe was past president of the Kansas Society and a former chairman of the State Board of Accountancy.

RAY HILDEBRAND ('49), 60, own account, San Francisco, Calif.

LOUIS KURZMAN ('23), 70, own account, New York, N.Y.

H. P. MULDER ('49), 47, Card, Palmer & Sibbison, Cleveland, Ohio.

THOMAS J. O'BRIEN ('42), 63, O'Brien and O'Brien, Savannah, Ga.

P. LEO PERROTTI ('36), 64, own account, Las Vegas, Nev.

WILLIAM H. S. ROGERS ('33), 59, American Optical Co., Southbridge, Mass.

THOMAS H. SMOOT ('46), 78, own account, Decatur, Ga.

JOHN A. STOLP ('20), 76, retired, Sarasota, Fla. Mr. Stolp was a past president of the Illinois Society.

ALBERT M. VAN DEUSEN ('37), 76, retired, San Leandro, Calif.

CPA

THE CERTIFIED PUBLIC ACCOUNTANT

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July-August 1960

Decisions on Ethics, Research Taken As Executive Group Meets in Boston

MAJOR decisions affecting the profession in such areas as research, ethics, relations with PAs, and insurance coverage were taken last month by the Institute's executive committee. A number of other matters were considered and recommendations for various forms of action made by the group at its meeting in Boston, July 7-8.

A recommendation from the accounting principles board that in view of its increasing workload, the board be expanded from eighteen to twenty-one members, was approved. The executive committee resolved to recommend to Council at the fall meeting in Philadelphia the election of three additional members to serve on the board. (For an interim report on the contributions and pledges to the ac-

**Self-employed retirement
bill still pending in
Senate (p. 2)**

**How to hold clients
when outside forces
intervene (p. 3)**

**Report on appeal
for funds to finance
accounting research
program (p. 4)**

**Write-up must
and professional
standing (p. 5)**



After its meeting in Boston the executive committee served as a panel before the Massachusetts Society. Pictured above (l. to r.) are: Edward J. McDevitt, Institute vice president; J. S. Seidman, Institute president; and Arthur W. Koelbel, current president of the Massachusetts Society.

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counting research program from the membership of the Institute see page 4.)

In response to a request from the committee on professional ethics for guidance on a proposed revision of Rule 14 of the rules of professional conduct, the executive committee considered a change in the language of the rule. At the same time, it reviewed a letter from the Institute's counsel reaffirming his earlier opinion that because of possible risks under the Sherman Anti-Trust Act, the present rule on competitive bidding should be repealed and no new rule substituted.

The executive committee resolved to recommend to the committee on professional ethics that Rule 14 should be eliminated and no new rule should be adopted. It was the sense of the committee that the deletion of Rule 14 should be accompanied by the issuance of a statement of policy that competitive bidding is detrimental to the best interests of the public, along the lines of a statement being developed by the committee on local government accounting.

After receiving two reports from the committee on professional ethics of a finding of *prima facie* cases against two members, the executive committee resolved that they be summoned to appear before the Trial Board at Philadelphia on September 26.

Relations with public accountants

After extended discussion of a report from the committee on co-operation with PAs on the present status of negotiations between the Institute and the National Society of Public Accountants, the executive committee approved continued conferences which would attempt to reconcile differences between the two organizations on legislative policy in the public interest.

The executive committee also adopted a resolution, reaffirming a 1956 resolution, expressing the Institute's willingness to assist state societies in upholding the standards of the profession. The commit-

tee further authorized preparation of a report to the membership reviewing the current legislative situation, and presenting the Institute's position to the public. This report would be reviewed before issuance by both the executive committee and the Council.

The CPA insurance plan

The executive committee authorized the insurance committee to explore the possibility of adding to the CPA plan a provision for payments during disability, and, subject to approval, to include members of the Institute in Montana, in view of legislative changes in that state.

The committee also directed the Trustee to adopt a gross rate for members under thirty-five years of age at one-half the current rate as justified by recent figures.

Council meeting attendance

As a matter of policy the executive committee resolved to permit both a state society president and

president-elect to attend the Council meeting in the transitional year when the president-elect system is first adopted by a state society. In that year one of the two attending would be designated as the official representative of the society and entitled to a vote. Thereafter only one representative would be permitted to attend Council meetings.

International meetings

After a report from the executive director on plans for staffing and organizing the International Congress of Accountants to be held in New York City in 1962, the following were elected officers of the Congress: Arthur B. Foye, president; J. Harold Stewart, vice president; Harold R. Caffyn, treasurer; John L. Carey, secretary.

A report was received on the Fifth Inter-American Accounting Conference scheduled for next November in Havana, Cuba. In the light of the current relations between the Cuban Government and the United States, the executive committee resolved that the Institute withdraw from participation in the meeting, and a communication be sent to the organizers informing them of the Institute's withdrawal, but pledging continued support to the Conference itself as a useful instrument for the advancement of the profession, and inviting accountants of the Western Hemisphere to attend the 1962 meeting of the Conference in New York under the auspices of the Institute.

Other committee action

The executive committee considered and approved a recommendation from the committee on co-operation with bankers and other credit grantors that a letter describing the Institute and the significance of membership in professional societies be sent to all commercial banks and to members of the Robert Morris Associates, with an offer to supply copies of the Institute's Membership Directory without charge on request.

HR 10 Still Alive

Majority Leader Lyndon Johnson has promised that the Senate version of the Keogh bill on pensions for the self-employed will be considered by the Senate before Congress finally adjourns, but final action remains doubtful.

If the bill comes to a vote, chances for passage are good. However, a few determined opponents insisting on lengthy debate may succeed in having it pigeonholed during the short session.

Before the Senate is a revised version of the bill, incorporating Treasury recommendations, which differs considerably from the measure passed by the House (see *The Journal of Accountancy*, Aug. 60, p.9).

FROM THE PRESIDENT

J. S. SEIDMAN



Minimizing Displacement on Engagements

OF the many subjects covered in the wonderful letters from my fellow members, one pops up — a lost client caused by an underwriter or a banker.

The externals follow a uniform pattern. A local practitioner has served his client for years. Both are happy with one another. The client wants to go public. The client approaches an underwriter. The underwriter says a national firm must be on the figures. Result: The local practitioner is on the outside looking in — disillusioned and bitter.

What can be done?

Well, there's much to be done. The first thing to determine is what is really behind the shift. The CPA may not be as satisfactory as he thinks. Sometimes the explanation about the need for a national firm is a way of easing the CPA out. It makes a gentle cover-up of the client's feeling that he has outgrown the CPA, or is dissatisfied on one score or another.

Or, the client and the CPA may have come along so cozily together, that the underwriter is uneasy about lack of genuine independence on the part of the CPA.

Suppose none of the above offers a likely explanation. Now what? The engagement can still be lost if the CPA does nothing. On the other hand, if he is as good as he thinks, is alert, and takes action, he may find himself anywhere from holding on completely, to at least keeping a foot in the door. Consider these possibilities:

1. In the last analysis, what we CPAs sell is confidence. Confidence in turn is born out of direct knowledge or reputation. Conversely, lack

of confidence or uneasiness may stem from unfamiliarity. The first thing to do, therefore, is for the CPA to seek out the underwriter, and say: "You may not know me. I want you to know everything about me and my work. Here's my background and experience. Here's a run-down on my clientele. Here's correspondent work I do for other CPAs. Mr. Underwriter, ask me anything else that will enable you to pass on me."

2. The client may have the upper hand in his bargaining position with the underwriter. He may therefore well insist that in the interests of the client, the underwriter, and the future investors, there is no deal unless the CPA continues.

3. Assume that, come what may, bringing in a national firm is indicated. For example: (a) The CPA may himself feel that he doesn't know his way around in SEC matters and is uneasy about getting started; (b) the underwriter may feel the issue presents sales difficulties and calls for a widely known name on the statements; (c) the underwriter may want the comfort and protection of the large liability insurance carried by national firms. When these or other factors are in the cards the CPA can, on his own initiative, arrange to bring in a national firm. The situation then takes on a different complexion. The client relationship is preserved, with a specialist called in for a particular purpose.

4. Whether the CPA or the underwriter is responsible for bringing in the national firm, various flexibilities can apply: (a) There can be a joint certificate; (b) the

local CPA can certify to the past earnings, and the national firm to the current balance sheet and earnings; (c) if only the national firm is on the prospectus, arrangements can still be made to utilize the local CPA's help on part of the engagement; (d) the national firm can be retained for the prospectus only, and the local CPA continue thereafter; (e) if the national firm continues on the audit and has no local office, the CPA can function as correspondent for the national firm; (f) the local CPA can still serve for taxes, etc.

5. Much of what applies to underwritings likewise holds true on bank loans, or where a client sells out or merges. Another possibility, on sale or merger, is that the CPA can perform the function, locally, of an internal audit staff for the absentee acquiring company.

THERE is nothing academic about this line-up. I have seen one or another of its facets in actual practice. Obviously, it calls for the CPA to take inventory of himself. He must be competent. He must be right up to snuff on accounting education and practice. He must be independent. He must enjoy the goodwill of his community. And — very important — he must enjoy the goodwill of his professional colleagues. (I have no desire here to plug the state societies or the Institute, and yet I must point out that activity in both are a vital source of the competence, education, and goodwill that play such a pivotal role in warding off or mitigating displacements.)

The CPA on the engagement has a great advantage over everyone else. He has the client. He has the knowledge of the client's affairs. Rarely does a banker or underwriter take the untenable position that only national firms merit confidence. A shift comes about for deep-seated causes. An alert, enterprising local CPA will prevent those causes from infecting his practice.

Early Response to Appeal for Funds for Accounting Research Reaches Halfway Mark

► First results of the appeal for contributions to the American Institute of CPAs Foundation for financing of the accounting research program are encouraging. In less than two months members and firms throughout the country have responded swiftly and generously. As is so often the case, this is only half the story — and half the needed amount.

To date pledges have been received from small and large firms, and from members in industry. The range runs from \$5 to \$100,000. In addition to individual \$500 pledges (\$100 a year for five years), some firms have computed their contributions over a five-year period on a similar basis — \$100 per year per member.

In approving the creation of an accounting research program last year, the Institute's Council recognized that if the profession were to retain the confidence of bankers, investors, Federal agencies, and the general public, it must take the leadership in reducing areas of difference and improving financial reporting. CPAs, Council said, had a vital interest in the development of sound accounting principles to meet the economy's demands.

In an invitation to participate in the program, President Seidman

pointed out that the financial requirements of the next five years were expected to be met by members' contributions. Meanwhile a long-range plan for permanent financing would be evolved.

The program is currently well underway. Last month Dr. Maurice Moonitz joined the staff as director of accounting research. The first six research projects have been selected and the participating committees named (see *JofA*, July '60 p. 18). A realistic estimate of the financial needs of the program over a five-year period comes to some \$1 million. For the coming year, the Institute has committed \$200,000 to the launching of the program. With just over \$100,000 in pledges applicable to 1960-61, there remains a substantial deficit.

"Essential" rating

In a recent survey of the membership on the relative importance of Institute activities, the accounting principles program was rated "essential" by 75 per cent of the respondents.

The hope of reducing the current deficit and eventually underwriting the five-year cost lies with that large group in the membership who have expressed their recognition of the program's essentiality.

Distribution of Technical Bulletins

Some members have complained because certain technical bulletins produced by the Institute have not been mailed to them unless specifically requested.

The object has been to save the members' money. It is costly to print and mail 37,000 copies of a pamphlet. When the subject, such as auditing problems of a specific industry, is of interest to only a limited number of members, it seems extravagant to mail thousands of copies which will be filed in wastebaskets of members who are not concerned. In some offices where there are many members, the arrival of ten, twenty, or thirty copies of the same material gives the appearance of reckless indifference to economy on the part of the Institute.

Therefore, the policy has been adopted of sending bulletins of general interest to all members, but of limiting the distribution of certain bulletins to each public accounting office represented in the membership, and announcing in "The CPA" that any member may have a copy on request.

Parlez-Vous Français— Or Any Other Language?

Institute members who are bi- or multilingual can be of real service when the International Accounting Congress meets in New York in 1962. Members who plan to attend the Congress, and who speak and understand one or more foreign languages, are asked to volunteer their services to the Institute in connection with the meeting.

New Course on Budgeting Available in September

► Budgeting for Profit in Small Business is the latest course to be offered by the Institute's Division of Professional Development. The course is currently undergoing minor revisions to incorporate suggestions made by participants during a pilot run held last month in New Jersey. It will be available to all societies and chapters on September 1.

The course of instruction and the planned discussion have been designed to develop the skills of CPAs in an area where small business is

increasingly in need of outside help. It considers in detail the step-by-step techniques of budget planning and control, and analyzes the function of the CPA in formulating and preparing a budget program.

If the recent three-day course which was co-sponsored by the New Jersey Society of CPAs and the American Institute is any criterion, Budgeting for Profit in Small Business should prove to be one of the most helpful courses yet developed by the professional development division.

NEWS NOTES

► Acting on a resolution of the executive committee, President Seidman has appointed a three-man special subcommittee to review the existing activities and services conducted by the Institute, and to evaluate their relative usefulness to the membership in the light of their costs.

► "Office Management in the Small Business," fifth and final bulletin in the first management services series, will be distributed early this month. Subscriptions to this first series total almost 8,000, and plans for the second series are well under way.

► A bill which would have created a separate continuing class of public accountants was introduced in June by the Accountants Association of Louisiana. It was opposed by the Society of Louisiana CPAs, and unanimously defeated in committee.

► The committee on long-range tax policy under the chairmanship of Percival F.



Brundage met recently in Washington, D.C., to discuss ways of financing its proposed study of existing materials. Representative Wilbur D. Mills (D., Ark.) participated in the meeting, expressing interest in the committee's work and offering encouragement.

► President Seidman has accepted invitations to represent the Institute before two foreign societies after the annual meeting. He will address the Institute of Chartered Accountants in England and Wales and the Netherlands Institute of Accountants in October.

► As a result of the unprecedented response by members to John L.

Carey's column on "Financial Management for the Average Man" in the March CPA, an advisory committee on personal financial management is being formed. The advisory committee will help delineate the nature and scope of personal financial management services by CPAs, and will aid in the development of methods to make these services known to the public.

► On the faculty of the Institute for Management at Syracuse University (July 31 - August 6) was William O. Doherty, director of the Institute's state society department, whose topic was "Rules of Professional Conduct."

► The Institute's special program of reports to bring its policies and activities closer to the membership closed early this month. Its success — beyond expectations — is indicated by these figures: 44 selected speakers addressed 75 meetings in 31 states, Puerto Rico and the Virgin Islands.

Files on Parade

Who is the oldest Institute member? Who has held continuous membership for the longest time?

In seeking these answers to complete statistical records, the Institute has found two members who joined sometime in 1902. The earliest birth date on record is August 14, 1867.

If anyone knows of any earlier dates, he is invited to write to the director of membership relations.

We would also like to know the names of any member father- and -son combinations who are planning to attend the annual meeting in Philadelphia this fall.

► A number of Institute members are being interviewed for a two-part article on the accounting profession which is scheduled for publication in *Fortune* this fall.

► Edward S. Lynn has accepted the position of Director of Education of the American Institute, effective September 1. He replaces Wilton Anderson who will be professor of accounting, College of Business, Oklahoma State University.



Mr. Lynn

Mr. Lynn joined the Institute staff in June and has worked closely with Mr. Anderson throughout the summer. He was previously associate professor of accounting at the University of Wisconsin, Madison. He has also taught at the University of Tennessee, University of Texas, and Baylor University. He was a staff member of Lybrand, Ross Bros. & Montgomery in Dallas, Texas. He holds a bachelor's degree from Baylor University and the Ph.D. from the University of Texas.

► Letters which have considerable importance in the public relations of the accounting profession are those which state boards of accountancy send to announce success or failure in the CPA examination and qualification for the certificate. The Institute's public relations department last month compiled form letters incorporating suggestions submitted by the various state boards. These form letters have been distributed to the state boards for their interest and guidance.

► The New York State Society has overwhelmingly approved a number of important revisions in its rules of professional conduct. A major reason for the changes was to bring the rules into closer conformity with those of the American Institute.

LETTERS

ICC expresses appreciation

I feel that the Commission has been somewhat remiss in not expressing to the Institute our appreciation for establishing the committee on relations with the Interstate Commerce Commission. As you know, this committee was formulated in 1956 at the suggestion of the New York Stock Exchange for the purpose of co-operating with us in making such revisions in our accounting rules for railroads and other carriers subject to our jurisdiction that may appear necessary in order that these rules may be in keeping with current views of the accounting profession.

The members of this committee, under the leadership of the former chairman H. D. Murphy and presently under the chairmanship of Russell Tipton, with the advice and counsel of Mr. Carman G. Blough, have worked diligently and devoted much time to considering our rules and making recommenda-

tions. We believe that much progress has been made in this field and want to assure you that we deeply appreciate the assistance rendered by the Institute.

JOHN H. WINCHELL, Chairman
Interstate Commerce Commission
Washington, D.C.

Soliciting nonmembers

President Seidman's column in the June issue brings to mind some of the thoughts I first had about becoming a member of the Institute. I am glad to say that most of my doubts were dispelled after I joined not too long ago.

At the meeting for small practitioners at the 1959 meeting in San Francisco, one of the panel members made the statement that the active participation in Institute and state society affairs was not only personally rewarding but also financially rewarding. Speaking from my own experience, I agree. Clients seem to be favorably impressed

that their accountant is willing, at his own expense, to attend conventions in order to learn more to benefit clients. Having attended both the Georgia and Institute annual meetings last year, I was pleasantly surprised by the amount of useful information that can be of value in my practice.

The clinic on building a practice as described in the June issue sounds interesting and I am looking forward to having one here that I can attend. If it is as good as the seminar on fees, I know it will be very useful.

SOL SPIELBERG
Atlanta, Georgia

Mailing list policy

One thing that bothers me about the Institute — although it may be a small matter — is the fact that I seem to be continually receiving advertisements in the mail from publishers, etc., addressed by means of my Institute stencil.

Does the Institute sell its mailing list to commercial organizations? If so, why?

A. M. FRENCH
Cleveland, Ohio



Activity of the committee on meetings grows apace as Annual Meeting time approaches. The group met last month in Philadelphia, site of the Annual Meeting on September 25-28. Above (seated, l. to r.): Robert L. Leonard; Mrs. I. H. Krekstein; I. H. Krekstein, chairman; Mrs. T. H. Carroll, ladies' committee chairman; Alexander E. Loeb. Standing (l. to r.): John F. West; Edward E. Spangler; Millard L. Breiden; H. Edward Slough; Richard L. Entwisle; Philip J. Taylor; Maurice A. Webster, Jr., vice chairman. Not shown, R. S. Tippin, A. B. Richardson, J. W. Brown.

[The Institute makes its membership list available on a rental basis to other organizations and companies who wish to advertise a product or service which may be of interest to our members.

This policy has been adopted because our published membership directory is a public document and is therefore available to anyone to use for mailing list purposes. As a matter of fact, a number of list compilers now use our directory to develop lists of CPAs and/or public accountants which they sell commercially.

Under the circumstances, it seems realistic for us to offer a list rental and addressing service ourselves and benefit from the resulting income. Annual income from rental of the membership list is substantial and contributes materially to the continuation and expansion of Institute services.]

NEWELL J. COOPER has been elected mayor of Burbank, California. A local practitioner in Burbank, Mr. Cooper has been extremely active in civic affairs, and has served on the city council for four years. In 1955 he was named Young Man of the Year by the Burbank Junior Chamber of Commerce.



Mr. Cooper

E. W. MUHONEN has been appointed director of audit by the United States Development Loan Fund.

LOUIS W. HUNTER has been named Assistant Director of the Civil Accounting and Auditing Division of the United States General Accounting Office. He will be in charge of accounting and auditing activities in the Housing and Home Finance Agency.

WILLIAM T. TILDEN, Treasurer of Chemway Corporation since 1955, has been elected to that firm's board of directors. Mr. Tilden is scheduled to address the annual meeting on co-operation between practitioners and nonpractitioners. He is currently serving on the Institute's committee on members in commerce and industry.



Mr. Tilden

LINCOLN G. KELLY of Salt Lake City and RALPH B. MAYO of Denver were honored by the Mountain States Conference of CPAs at its spring meeting in Phoenix.

GORDON S. BATTELLE received an honorary Doctor of Laws degree at the 116th commencement of Ohio Wesleyan University. Mr. Battelle is a past president of the Ohio Society of CPAs, and a former vice president of the American Institute.

FROM THE EXECUTIVE DIRECTOR

JOHN L. CAREY



Write-up Work and Professional Standing

SOME members seem to think that the Institute regards bookkeeping and write-up work as unworthy of a CPA. Nothing could be further from the truth. Actually, the Institute has no policy on the matter. However, there are related problems which have been widely discussed in official circles.

Everyone recognizes that maintenance of good basic accounting records, and preparation of sound financial statements and tax returns (which for convenience may be lumped together under the term "write-up work") constitute an important service, essential to small business. Without question it is a proper service for CPAs to render.

A young CPA probably must rely on write-up work as a means of starting his own practice. Even established CPA firms may make initial contacts with new clients by responding to requests for write-up service. Write-up engagements often lead to other professional accounting service.

But write-up work alone usually cannot command fees as high as auditing, tax and management services. It is true that write-up work can be lucrative if organized and administered efficiently, with appropriate staff, or if combined with professional advice and assistance of various kinds. However, the sole practitioner who relies too heavily on manual write-up work, especially one who does all the work himself, may find that the only way to derive a satisfactory income is to work longer and longer hours. This makes it harder to improve his professional competence or to build an organization. He may become "too busy" to read or study, to attend professional meetings or courses, or to recruit and train a good staff assistant. His professional development may be impaired. This has been the major concern in Institute circles.

Now the situation is being complicated by the advent of the computer and the service centers. Basic data often can be converted into financial statements and statistical analyses at much less cost by machines than by manual write-up procedures. Some service centers advertise and solicit this type of work — in at least one instance through the medium of a bank. CPAs have been invited to collaborate with such service centers. This raises ethical questions.

Legislation attempting to restrict write-up work to CPAs and licensed public accountants has been held unconstitutional by the courts. Write-up work, therefore, is an open field, in which nonprofessional competition must be accepted. How can CPAs meet such competition without impairment of their own professional standards?

A new Institute committee is studying the impact of these developments on the profession. It is regarded as a highly important problem. Suggestions or questions from members are welcome.

(Members in the News, Cont.)

The newest elementary school in Hutchinson, Kansas was recently named after HARRY FARIS, past president of the Kansas Society and for many years a mainstay of Hutchinson's school board.

ROBERT M. TRUEBLOOD has been appointed Visiting Ford Distinguished Professor for 1960-61 at the



Graduate School of Industrial Administration, Carnegie Institute of Technology. It is the first time the Ford Foundation professorship has been granted to a member of the business community. Mr. Trueblood, who will continue as a partner of Touche, Ross, Bailey & Smart and in charge of their Pittsburgh office, will concentrate his research at Carnegie Tech on effective management controls in corporations.

OBITUARIES

L. C. J. YEAGER of Yeager, Ford and Warren, Louisville, Ky., died



of a heart attack on June 16 at the age of 58. Mr. Yeager joined the Institute in 1932 and was extremely active in its affairs. He served as a member of Council for three years, and from 1941-47 was chairman of the membership committee. He also served as president of the Kentucky Society. He had a strong interest in education and at the time of his death was a trustee of Centre College, Danville, and a member of the Board of Overseers of the University of Louisville.

(Membership dates in parentheses)
CONWAY A. COBB ('49), 51, Birmingham Electric Battery Co., Birmingham, Ala.
WILLIAM B. EDWARDS, JR. ('55), 31, Alexandria, Va.

LELAND H. EMERSON ('47), 60, Beverly Hills National Bank and Trust Co., Beverly Hills, Calif.

LEONARD J. ERTEL ('39), 63, The Standard Register Co., Dayton, Ohio.
BRYAN GOLLIHER ('55), 59, own account, Chicago, Ill.

CHARLES M. GRIDER ('16), 72, Thurston and Grider, El Paso, Tex.
ROBERT S. HALL ('42), 44, Diamond Crystal Salt Co., St. Clair, Mich.
MICHAEL E. HARRIS ('43), 51, Tomicki, Bryan & Company, New York, N.Y.

CADDIE H. KINARD ('22), 73, own account, El Dorado, Ark.

WALTER MACDONALD ('54), 65, Deloitte, Plender, Haskins & Sells, Winnipeg, Canada.

EDWARD A. McNALLY ('51), 67, McNally, Costin & Co., Chicago, Ill.

A. L. MORETON ('26), 70, own account, Los Angeles, Calif.

A. D. RICHARDSON ('51), 54, own account, Los Alamos, N.M.

CONRAD B. TAYLOR ('26), 72, Lybrand, Ross Bros. & Montgomery, New York, N.Y.

FREDERICK W. WULFING ('24), 65, Peat, Marwick, Mitchell & Co., New York, N.Y.

CPA

THE CERTIFIED PUBLIC ACCOUNTANT

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Certified Public Accountants*

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September 1960

Record Attendance Expected to Hear Eisenhower Address Annual Meeting

AN ADDRESS by President Dwight D. Eisenhower will open the American Institute's 73rd annual meeting in Philadelphia.

It was announced by the White House last month that the President would speak informally to the members and their wives at 10 A.M. on Monday, September 26, in Philadelphia's Academy of Music. Advance registrations — even before the announcement of the President's appearance — make it likely that attendance at the meeting will be one of the largest in history.

White House Press Secretary James Hagerty has indicated that he will accompany the President to the



President Eisenhower and Budget Director Maurice H. Stans, both of whom will address the Institute's annual meeting, were photographed together at Augusta where they were conferring on the President's budget message to Congress.

**New program to provide
CPA consultation
service (p. 4)**

**Public confusion
on the CPA
title (p. 3)**

**Available aids
for expanding
a practice (p. 7)**

**Two views of
proposed new rule
on independence (p. 5)**

**PLEASE DO
NOT MUTILATE**

The CPA, September 1960. Published monthly, except July-August when bi-monthly, for membership of the American Institute of CPAs. Volume 40, No. 8. Publication and editorial office: 270 Madison Ave., New York 16, N. Y. Second-class postage paid at New York, N. Y.

PLEASE

meeting and expects that some fifty regular White House correspondents will be on hand. Full coverage by Philadelphia and New York newspapers is also expected, and there is a possibility of television coverage at the opening session.

The President's attendance has necessitated some changes in the technical and ladies programs. Budget Director Maurice H. Stans, a past Institute president, will follow President Eisenhower, and address the entire assemblage.

Opening day luncheon

Glenard P. Lipscomb, Representative from California, will be the featured speaker at the Monday luncheon for members and guests. Mr. Lipscomb will discuss relations between certified and noncertified accountants.

Technical sessions previously scheduled for Monday morning have been moved as follows: Ethics of Tax Practice will now be one of three simultaneous sessions on Monday afternoon. Accounting for Regulated Industries will be one of three simultaneous sessions on Wednesday morning.

Other guest speakers who will address the meeting include Joseph L. Carrigg, the Internal Revenue Service's Director of Practice, who will discuss ethical problems encountered by IRS; Professor G. S. A. Wheatcroft of the London School of Economics who will describe ethical restraints on tax practice in Great Britain; and Professor William Cary of Columbia Law School whose subject is "Interesting Features of the Proposed New York Corporation Law."

President J. S. Seidman has announced that this year's all-day business meeting on Tuesday, September 27, will be conducted along the lines of a stockholders' meeting. The session will provide members with an opportunity to raise questions on Institute policies and practices.

Emphasizing the fact that the Institute is made up of individuals,

there will be introductions of the oldest member present, the member with the longest continuous Institute membership, and any father and son members in attendance. All former Institute presidents at the meeting will also be introduced.

The Tuesday luncheon meeting will include the presentation of the annual awards. John H. Zebley, Jr., will present the Institute's 1960 Gold Medal award to George D. Bailey of Detroit. The Elijah Watt Sells Prizes will be awarded to this year's Gold and Silver Medal winners by CPA Board of Examiners Chairman, William H. Holm.

Rule change to be considered

One of the major items of business on Tuesday is expected to be consideration of the proposed new rule on independence which was submitted to the membership in the call to meeting. (For discussion of Rule 13 see p. 5.)

A special concert for members and guests has been arranged at the Academy of Music on Tuesday evening. Eugene Ormandy, one of the world's foremost conductors, will lead the Philadelphia Symphony Orchestra in this special program.

In addition to the full ladies program there will be a president's reception Sunday evening and four regional receptions on Wednesday evening — New England and Middle Atlantic States, Southern States, Central and Great Lake States, and West, Northwest, and Mountain States. Two dinner-dances will conclude the three-day meeting on Wednesday evening, September 28.

Membership Cards

It is Institute practice to send membership cards only upon request. This is done as an economy measure, since few members have requested them in the past. Members desiring cards may obtain them by writing the Institute, 270 Madison Ave., New York 16, N. Y.

Three Hundred Staff Men at New Training Program

► Highly encouraging response greeted the first run of the Institute's new Junior Staff Training Program which was given to some 325 staff men at five sites last month.

The participants at Purdue, Syracuse, California, Georgia, and Texas were almost unanimous in their enthusiasm for the two-week session.

Louis W. Matusiak, Director of the Institute's Professional Development Division, found the initial reaction "more than adequate to warrant going ahead with the program on an annual nationwide basis."

A full report of the first five trial runs of the program will appear in an early issue of *The CPA*.

Building a practice

The Professional Development Division has also announced that a new seminar on Building an Accounting Practice will be held at Michigan State and Oklahoma State Universities this fall. An unprecedentedly favorable response greeted the pilot run of this course in Washington D.C. last spring (*CPA* June 1960).

Working with people

Another meeting which has been scheduled by the Division is a conference on Working with People to be held next month in Highland Park, Illinois.

Specially prepared for the Institute by the business administration faculty of Northwestern University, the conference is limited to thirty-five registrants at a fee of \$400. The registration fee for this six-day session covers all case and discussion material, single room, and food. The entire program will be conducted on a conference discussion basis. Further details may be obtained from the Institute's Division of Professional Development.

FROM THE PRESIDENT

J. S. SEIDMAN



Are We Adding to Public Confusion About the CPA Title?

IN my many letters from the membership, one subject frequently recurs — the need for a program to help the public understand the difference between CPAs and non-CPAs. Yet some of the things we ourselves are doing bring about the misunderstanding.

There are many CPAs today in one state who cannot practice as CPAs in another state. This grows out of imperfections in state CPA laws. In some cases, the law is from way back when, and inertia has taken over in spite of changed conditions. In some states, the laws are deliberately hostile to an "outsider." In some cases, the laws provide for reciprocity, but only on a crass, you-wash-my-back-and-I'll-wash-yours basis.

What happens when CPAs from one state are stopped from practicing as CPAs in another state? In many cases, they merely practice as non-CPAs in the other state. The public with which they deal finds them to be highly competent and responsible. What is the result? The public concludes that non-CPAs are good enough.

Little can the public be expected to know that the skilled services which it is getting stem from official identification and tested competence in some other state, denied recognition and the CPA title in the local state. That is an intra-professional subtlety beyond the public's ken or patience.

I said that CPAs from one state who are prevented from practicing as CPAs in another state may practice in the other state by dropping

the title. Actually, there is more to it. Some of those CPAs drop the CPA reference entirely, even where they are entitled to use it. They merely show firm name, without any reference on their letterheads or reports as to whether they are CPAs, PAs, or As.

This approach is understandable. Their organizations enjoy a good reputation. They undoubtedly prefer to describe themselves as CPAs wherever they practice. However, since some of the state laws prevent this, they eliminate all title and description.

They thereby avoid a problem that would be confusing to the clients and the public, about different stationery and different titles in different states. They also avoid possible clashes with state rules, if a report from one state containing the CPA title gets into or is redistributed in another state where the CPA title is out-of-bounds for their organization.

Now, let us get back to the public. Millions of stockholders, year in and year out, get annual "certified" reports. But certified by whom? Certified public accountants? Not so far as the stockholders know. The certificate is by "independent accountants." These millions of people can't but help come to the conclusion that if the largest companies in the country don't use CPAs or don't make any distinction between CPAs and non-CPAs, there is no need for the stockholders, in their own private or business affairs, to do so either.

Who is the gainer by all this?

Obviously, the non-CPAs. They get a free public relations ride on the backs of "suppressed CPAs."

Who loses by all this? Obviously, the CPAs throughout the land. The public relations benefit of the reference to CPAs in reports each year to millions of stockholders can rub off on every CPA. But today the reference is not, cannot, or dare not be made.

What is the answer? Obviously, to go right to the cause. Some of our state laws set up traffic barriers damaging not only to those outside the state but also to those within. A solution is one recommended by the Council of the Institute in 1956 — free passage of CPAs across state lines in response to the needs of their clients.

The reciprocity question

All states now use the same CPA examination. Why shouldn't any CPA who has passed this examination in one state be granted the right to practice as a certified public accountant in any other state if at the time he received his certificate he met the requirements that would accord CPA status to a resident of that other state? And why shouldn't a firm be allowed to practice as certified public accountants in any state if all of its partners are CPAs of some state, and all local partners are CPAs of the state in which the offices are located?

This is not a big firm versus local practitioner problem. Size merely affects the amount of the geography. The many letters I have received from local practitioners make it clear that they resent being hemmed in. They are intensely interested in getting from their local state to adjoining states, as CPAs.

Until we clear this up we are shutting ourselves off from one of the most comprehensive, effective, and cost-free public relations programs we can have. But more than anything else, we are thoroughly confusing the public. Do we, in the respective states, have the necessary foresight, courage, and goodwill to stop defeating ourselves?

New Institute Program Will Provide Expert Consultation on Problems of Practitioners

THE American Institute is currently in the process of launching a new program designed to provide informal advice and consultation easily and quickly to any CPA desiring it.



Mr. Hutchison

To develop the program President Seidman appointed a new five-man committee under the chairmanship of William P. Hutchison of Portland, Oregon. The activity of the members consultation service committee is reflected in the initial trial runs beginning this fall.

This program will be known as the CPA Consultation Service and will be inaugurated early in September as a pilot program in the states of Oregon and Texas. After a reasonable period of testing it is currently planned to launch the program on a continuing nationwide basis for the use and benefit of all CPAs.

The concept of the program contemplates gratuitous and confidential consultation to practitioners by CPAs who have reputations for solid knowledge in the areas of practice management, accounting and auditing, tax practice or manage-

ment advisory services. It is hoped that by providing free and readily available consultation assistance, practitioners will be able to obtain an expert and informed opinion on a particular problem when it is needed.

The program will be launched in Oregon and Texas in co-operation with the respective state societies by the publication of a brochure completely describing the philosophy and objectives of the service. A directory listing consultants who have indicated their willingness to assist in this important work will be included in the publication.

The CPA Consultation Service does not contemplate consultation on highly technical matters requiring extensive research or involved written reports as these particular situations more properly belong in the referral category, for which a reasonable fee should be established between the parties.

Although the accounting profession has taken the lead in research and in establishing sound accounting practices and principles, the need for the free and informal exchange of technical information and administrative policies still exists. It is the aim of the CPA Consultation Service to fulfill this professional obligation.

NEWS NOTES

► The committee on accounting for public housing, under the chairmanship of T.



Mr. Gary

Jack Gary, Jr., met last month in Washington, D.C. to explore further use of independent audits in such areas as housing for the aged, college housing construction, the FHA program and audits of local and federal housing authorities.

► The August issue of the *Banking Law Journal* contains a supplement devoted to a new concept of taxation of estates and trusts prepared by members of the Institute's subcommittee on estates and trusts.

► The 14th edition of *Accounting Trends and Techniques* is now on press. The survey of the reporting methods of 600 selected industrial companies is scheduled for publication early next month.

► "Administrative Auditing," first bulletin in the second series on Management Services by CPAs, is currently being reviewed by an advisory committee in draft form. "Office Management in the Small Business," last in the first series, was distributed last month to over 8,000 subscribers.

► In the nine months since its release, "CPA," the Institute's recruiting film, has been seen by 100,000 students in high schools and colleges, and by 3 million viewers. Response cards from teachers and counselors have consistently rated the film from "very good" to "excellent."

► Executive Director John L. Carey will speak at a summer program conducted by the Institute of Chartered Accountants in England and Wales at Oxford in July 1961.

American Institute Insurance Trust

The insurance committee of the AICPA Insurance Trust is again inviting members and accounting firms represented in the membership to commence participation as of October 1, 1960, in the plans for which they are eligible. If you are not familiar with the plans offered, it is suggested that you write directly to the administrator of the plan, Reid, Collins & Co., 52 Vanderbilt Avenue, New York 17, N.Y., for information.

For the first time participants in the CPA Plan under age 35 will be permitted to contribute to the Trust at half the usual rate. This reflects a philosophy implicit in the Institute's dues structure, which is based in part on the length of time that a member has held his CPA certificate.

Costs continue low, and refunds totaling over \$1,400,000 were paid in August to present participants in the plan.

► Gilbert Simonetti, Jr., has been appointed director of taxation for the American Institute. Mr. Simonetti, who succeeds Eli Gerver, was formerly research assistant in the tax department. Mr. Gerver is currently doing tax research in the executive office of Touche, Ross, Bailey & Smart in New York City.



Mr. Simonetti

► The Institute has prepared and sent to state societies a guide for the 1960-61 Tax Information Program. The kit includes materials for use in a federal tax program and suggestions for developing a state tax program.

► *Working with the Revenue Code — 1960* has just been published by the Institute. Now in its sixth edition, this year's volume is edited by T. T. Shaw who is editor of *THE JOURNAL OF ACCOUNTANCY'S Tax Clinic*, from which the material for the book has been compiled. In addition to a 40-page table of contents arranged like the Code, this year's volume contains a detailed subject index. The book is available from the Institute at \$3.50 (paperbound \$2.50).



Mr. Shaw

Professional Development Courses—Fall 1960

ACCOUNTANTS' FEES

- Boston, Mass.: Sept. 10
- Atlanta, Ga.: Sept. 24
- St. Louis, Mo.: Sept. 24

REPORT WRITING

- Wheeling, W. Va.: Sept. 9 - Nov. 4
- Akron, Ohio: Oct. 6 - Nov. 17

LETTERS

Two views on Rule 13

ED. NOTE: *The writer of the following letter is chairman of the Institute's committee on professional ethics.*

Since certain questions have been raised about the proposed new Rule on Independence, referred to in the notice of the Annual Meeting, I am taking this opportunity to answer what seem to me to be the more important recurring ones.

First of all, it should be remembered that, regardless of any examples given, the essence of the proposed new rule is: "A member, before expressing his opinion on financial statements, has the responsibility of assessing his relationships with an enterprise to determine whether, in the circumstances, he might expect his opinion to be considered independent, objective and unbiased by one who had knowledge of all the facts."

Next, it should be remembered that in the proposed amendment only one example is given where the member would not be considered independent, viz., where he has any direct financial interest or material indirect financial interest in his client or has a connection as director, officer, etc.

An example with dates

One question frequently raised has to do with the different wording used in the example as to a financial interest and a connection as director, officer, etc. It might be well, therefore, to clarify the distinction by using specific dates. Suppose the financial statements cover the calendar year 1959 with the audit being performed February 1, 1960 to March 15, 1960. In this case the accountant would be considered not independent if (1) he had any direct or material indirect financial interest in his client during the period February 1, 1960 to March 15, 1960, or (2) if he was connected as a director, officer, etc., during the period Janu-

ary 1, 1959 to March 15, 1960.

The reasoning of the ethics committee here was that in the case of a financial interest, the member presumably had no part in the policies or decisions of management and, therefore, he should be able to resolve any doubt about his independence by disposing of whatever interest he might have before starting his audit. It seems reasonable that this should be so, since otherwise a member would frequently be barred from taking on a new client simply because he had a financial interest in it. This, however, would not be so in the case of a connection as director, officer, etc. Here the individual participated in decisions affecting the concern and even if he resigned, he still would be in the position of auditing matters in which he presumably played some part.

In one of the early drafts of the proposed amendment, the example referred to ownership of securities in the immediate family of the member living in the same household as well as ownership by him or one of his partners, and the question has been raised as to why this was deleted. The answer is that there was a strong feeling that the question of indirect interest could not be adequately covered in the basic rule and that such questions would be better covered on a case-by-case basis later on in somewhat the same way as the SEC had done in its Accounting Series Release No. 81.

Nonprofit organizations

Another question raised was why in the proposed amendment an exception is made in the case of certain directorships in non-profit organizations. This exception was added to make allowance for those situations where a member becomes a director of, say, some civic organization where it is more a matter of the member's lending his name to what he considers a worthy

cause than assuming the normal responsibilities of a director.

It is sometimes argued that the proposed amendment would weaken many professional-client relationships. The ethics committee does not think so. Even though he is not a director, a member can still advise his client and sit in on directors' meetings if the client feels he should do so. So far as a financial interest is concerned, it does not appear that the client should look to his independent accountant for his financing and, on the other hand, the accountant should be able to find ample opportunities for investment elsewhere. It should be noted that in Illinois the CPA Society adopted a rule over six years ago which is even stronger than the one now proposed by the ethics committee and there is no indication that professional-client relationships have deteriorated in that state since then.

Admittedly, a member who is a director or officer of his client, or who has a financial interest, needs time to adjust his affairs. The eth-

ics committee is sympathetic to this problem and it is for this reason that the effective date of the proposed new rule is January 1, 1962.

The postponement argument

Some members feel that the proposed rule is sound but that it should be postponed pending a period of education. This does not seem reasonable. The matter of independence and dual relationships has been discussed exhaustively for many years and it certainly has been very much in the minds of Institute members since the Illinois Society took the lead in adopting its present rule on independence.

It is frequently contended that an accountant should be permitted to certify if he discloses the factors bearing on his independence. Disclosure, however, simply passes to the lay reader the responsibility of assessing the particular relationship. It seems clear that the accountant's certificate loses something in the eyes of the reader if he knows that the accountant has some connection with the concern.

The CPA, like the judge or anyone involved in the public interest, should not only be impartial but appear to be impartial.

While it may irritate some members to feel that the ethics committee is continually attempting to hem them in with rules and pronouncements, those who have given extensive thought to the problem are convinced that in the long run the members themselves will be the losers if government agencies, bankers, investors and others who rely on financial statements have reason to believe that the independence of certified public accountants is subject to question.

THOMAS G. HIGGINS
New York, N. Y.

We are in receipt of the notice of the 73rd Annual Meeting, dated July 25, 1960, together with the proposed amendment to the Institute's rules of professional conduct, and we wish to take this opportunity to express our opinion concerning Rule 13 and the proposed amendment thereof.

In our opinion, adoption of the proposed amendment would render undue hardship to all practitioners and would weaken many professional-client relationships developed over the years. Either executorships and trusteeships, on the one hand, or clients related thereto, on the other hand, would have to be given up in many instances. Where directorships or minor officerships were taken as a matter of convenience, and where independence is not hampered, such offices would have to be surrendered without valid reason, causing undue hardship to clients as well. In cases where firms handle publicly financed clients, it appears to us unduly harsh to prohibit all partners from owning minor stock interests in such clients. In short, we believe the proposed amendment to be not only unnecessary, but very harmful to the accounting profession and to clients, business and the general public.

ZABELLE & SCHULTZ
New York, N. Y.



Co-operative membership between the Institute and state societies was under discussion when the members of the policy committee of the membership committee met recently in Philadelphia. Above (standing, l. to r.) Irwin S. Decker, William M. Dolan, Jr., Robert L. Starks, Lowell C. Doak; (seated, l. to r.) Paul C. Ringgold, Institute staff, chairman Claude M. Hamrick, Jr., Lad A. Rehula.

For one national organization

The June CPA poses the question of Institute relations with state societies, both in Mr. Carey's column and by inference in some of the pro forma questions considered in President Seidman's column.

Accountants are often — perhaps at times not without reason — accused of unnecessarily adding complications to situations that should be basically simple. The lay public has difficulty in understanding why there should be a number of associations of lawyers within a single community, ostensibly for similar purposes. Doubtless the public, as well as many accountants, cannot understand the need for both state societies and a national organization with similar if not identical professional objectives.

It follows that basically our profession should have one national organization and that body should have chapters in all states. Admittedly to accomplish this under present circumstances would be a formidable task. But I think most CPAs would agree that the size of the task should not be a bar to its accomplishment. I believe our profession would be immeasurably enriched by a structure that would make considerable sense to the lay public as well as to the members of the profession.

LUDWIG B. PROSNITZ
New York, N. Y.

CPAs and public office

In my experience, the CPA joining the active ranks of a political organization finds himself in great demand. He may be assigned to the organization's external audit committee or assist candidates and members in public office in the interpretation of the financial and taxation problems confronting them.

The CPA's role in the political organization and in public office is constantly expanding, and we in the profession should be aware of this.

IRVING YELLIN
Brooklyn, N. Y.

FROM THE EXECUTIVE DIRECTOR

JOHN L. CAREY



Aids to Expanding a Practice

BUILDING an accounting practice requires planning and competent management. This was clearly brought out at the Institute's two-day clinic on "Building a Practice" held in Washington, D.C., last May. The thirteenth bulletin in Economics of Accounting Practice series, on the same subject, underlines the same two points.

Competent management of an accounting practice, as of any economic activity, requires attention to several basic elements, such as deciding what services are to be offered, "producing" the services, conveying the services to clients, maintaining competent personnel, maintaining a sound financial position, developing good public relations.

The larger accounting firms, and many successful local firms, devote continuous, conscious thought and effort to all these matters. They are just as important to the one-man, two-man, three-man public accounting organization that wants to grow.

The Institute is trying to make available to local practitioners, on a co-operative basis, information and ideas which larger firms are able to develop for themselves (in this effort, incidentally, it has the full co-operation of the larger firms).

For example, the Economics bulletins cover essential phases of practice management; the Management Services bulletins point out how services to clients can be expanded; continuing education courses on fees, budgeting, practice management, and other subjects, are being offered.

In August the first junior staff training program was given by the Institute's Professional Development Division at five universities in different parts of the country. This course was oriented to local firms' needs: It is a counterpart of the courses national firms regularly give their inexperienced staff men.

Now the Public Relations Department of the Institute is developing material for "public relations clinics" to be tried out next spring. The object is to help practitioners improve the image of their firms — a subject to which larger firms have also given serious attention.

A members' consultation service is being organized to permit personal discussion of particular problems in the practice-management area, as well as on technical subjects.

To members who wish to expand their practice, lots of help is now available, and more soon will be. But the investment of some time and money is necessary to take advantage of these aids to building a practice. Less than half of the firms and practitioners in the Institute have used the publications, courses, and services now available. The profession will be stronger as this proportion grows.

MEMBERS IN THE NEWS

KENNETH C. TIFFANY has been appointed chief financial officer of Massey-Ferguson, Ltd., of Canada. Mr. Tiffany was formerly vice president—finance of Burroughs Corporation in Detroit.

HUBERT R. BREUNINGER, under a University of Pennsylvania contract with the International Cooperation Administration, has helped develop a graduate school of business and public administration at the University of Karachi, Pakistan. Mr. Breuninger, formerly at the University of Kansas City, Missouri, will spend two more years as chief advisor to the school.

THOMAS E. SULLIVAN has been appointed Associate Director of the Transportation Division of the United States General Accounting Office. Mr. Sullivan, formerly Assistant Director of the Defense Accounting and Auditing Division, has been on the staff of the GAO since 1951.

OBITUARIES

(Membership date in parentheses)

FRANK W. ANDUX ('50), 40, own account, Mt. Clemens, Mich.

WILLIAM A. COCHRAN ('25), 80, Lake Worth, Fla.

CHARLES M. GANEY ('37), 77, Ganey, Hagan and Co., Utica, N. Y.

BENJAMIN GOLDENBERG ('16), 68, Goldenberg, Rosenthal Co., Philadelphia, Pa.

BASIL E. GRAYBIEL ('52), 52, own account, Oakland, Calif.

HERBERT J. HANLON ('45), 51, own account, Cleveland, Ohio.

JACK D. HEALY ('46), 42, Healy & Schettenhelm, Detroit, Mich.

JOHN J. HEWITT ('45), 65, own account, Birmingham, Mich.

ELLIOTT B. HUGHES ('15), 73, Pocasset, Mass.

EDWIN A. KAPELKA ('49), 44, Eastern States Petrol & Chemical Corp., Houston, Tex.

HAROLD T. KILGORE ('60), 27, Arthur Andersen & Co., Chicago, Ill.

ROBERT B. LAUDER ('26), 63, Lauder and Lauder, Binghamton, N. Y.

W. KENNETH LIND ('52), 48, Short Beach, Conn.

JOSEPH MESCON ('60), 71, Roy Furniture Co., Inc., Syracuse, N. Y.

MARION F. MUNRO ('45), 50, Munro and Theobald, Beaumont, Tex.

EDWARD J. MURNAME ('25), 73, Arthur Young & Co., Chicago, Ill.

J. STEWART PEOPLES ('41), 59, Orlando, Fla.

ADAM PERMIGIANI ('58), 38, McKeever, Swartz & Company, Pittsburgh, Pa.

RAFAEL PIRAZZI ('47), 63, own account, Rio Piedras, P.R.

CLARENCE F. REMER ('26), 71, Hurdman and Cranstoun, New York, N. Y.

WILLIAM H. SHANNON ('46), 53, Graduate School of Business and Public Administration, Cornell University, Ithaca, N. Y.

HUGH M. STELL ('39), 70, Richardson, Stell & Company, Atlanta, Ga.

WALTER A. SURDAM ('48), 48, Amen Surdam & Co., Buffalo, N. Y.

EARL S. WARNER ('49), 55, Arlington, Va.

LOUIS J. ZIEDEN ('60), 52, Zeiden & Zieden, New York, N. Y.

CPA

THE CERTIFIED PUBLIC ACCOUNTANT

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Certified Public Accountants*

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CPA

Annual Meeting Issue

In a farewell message President Seidman lists some of the major problems confronting the profession in the years ahead (p. 5).

The annual report to the membership summarizes continuing activities with emphasis on expanded programs in research and professional development (p. 7).

The CPA, October 1960. Published monthly, except July-August when bimonthly, for membership of the American Institute of CPAs. Volume 40, No. 9. Publication and editorial office: 270 Madison Ave., New York 16, N. Y. Second-class postage paid at New York, N. Y.

October 1960

President Eisenhower's Speech Draws Record Attendance at Philadelphia

PRESIDENT EISENHOWER's speech on Monday morning was the outstanding event of the Institute's 73rd annual meeting in Philadelphia, September 25-28 — and undoubtedly contributed to making it the largest meeting in Institute history.

The President told an enthusiastic audience, which filled the Academy of Music, that he had appointed more CPAs to prominent positions in Government than any of his predecessors, not specifically because they were CPAs, but because he was seeking the best talent he could find, and he found men he needed among the ranks of certified public accountants.



Institute President J. S. Seidman (r.) welcomes President Eisenhower and Budget Director Maurice H. Stans to the meeting.



The President of the United States

Emphasizing the necessity for fiscal soundness in the Federal Government, the President said, "In looking at any bright prospect — any glittering promise held up before our eyes — we must see those things through basic principles of responsibility, of effectiveness and of efficiency, if we are going to put them in their right focus." Addressing himself directly to the members of the American Institute, he added, "You must talk to all people in terms of principles, of soundness, of progress, of responsibility. If we all do this, we will have a great country. There is no reason why it cannot be done. In such a problem and such a function — such a duty — I can think of no greater body than this one. . . ."

Referring to his own military experience, the President said that in war nothing positive can be achieved unless it is done from a firm base, and that the firm base for leading the world toward the achievement of human aspirations for peace with justice must be the United States.

The United States Government, the President said, is not exempt from the basic requirement of financial stability, and every new program must have the revenues in sight that are going to support it.

After the President's remarks, Budget Director Maurice H. Stans, a former president of the American Institute, underlined the vital im-

portance of fiscal responsibility in Government. "We can as easily lose the security we value so much," Mr. Stans said, "through neglect of sound economic principles as through neglect of our military needs." Mr. Stans warned against the persuasiveness of "the spenders and promisers." He said, "today's promises are tomorrow's taxes!"

Appealing specifically to the experience of the certified public accountants in his audience, Mr. Stans said, "In the financial affairs of Government there is no acceptable alternative to conservatism."

Action on Rule 13

During the annual business meeting on Tuesday, a lengthy controversy developed over the proposal to amend Number 13 of the Rules of Professional Conduct to spell out prohibitions against serving as a director or having a financial interest in the business of a client for whom opinion audits are made.

Opponents of the proposal contended that independence is a matter of attitude rather than circumstance, and passage of the new rule would unfairly imply that

many CPAs had not been independent in the past. Proponents argued that CPAs should not only be independent, but should not allow themselves to be in a situation which might raise any doubt about their independence in the minds of the public.

Thomas G. Higgins of New York, chairman of the Institute committee on professional ethics, moved approval of the new rule by those present at the annual meeting, which would have led to its submission to the full membership by mail ballot. The parliamentary situation was complicated by the fact that 180 proxies had been validated by the credentials committee, and there was some doubt as to whether they could be used on a voice vote. As a consequence, for the first time in twenty years, paper ballots were used. The vote came on a substitute motion to defer action on the proposal, offered by Homer Henning of Kansas, who favored it, but said that since a substantial number of members present opposed it, further discussion was desirable. A two-thirds vote would have been required for approval. By 447 votes to 367 it was decided to postpone consideration



On stage before the meeting opened (front row l. to r.): Institute President J. S. Seidman; President Eisenhower; Budget Director Maurice H. Stans; U. S. Comptroller General Joseph Campbell; Navy Secretary Walter B. Franke; and former Budget Director Percival F. Brundage. In the second row are some of the fifteen past presidents of the Institute in attendance.

of the proposed amendment.

Under the resolution as adopted, the proposal may be called up for consideration again at the next annual meeting.

Officers and executive committee

The slate of officers previously announced by the nominating committee was unanimously elected. The new officers are: Louis H. Pilić, president; Herman Bevis, Clifford Heimbucher, Edwin A. Norberg, and Homer L. Luther, vice presidents; Thomas D. Flynn, treasurer (re-elected). Elected by Council to serve with them on the executive committee were Elmer G. Beamer, Cleveland, Ohio; Thomas H. Carroll, Philadelphia, Pa.; Richard S. Claire, Chicago, Ill.; William P. Hutchison, Portland, Ore.; J. Earl Pedelahore, New Orleans, La.; Louis H. Penney, San Francisco, Calif.; and J. S. Seidman, N.Y.C.



George D. Bailey (l.) receives award from chairman John H. Zebley, Jr.

Council also voted to enlarge the Accounting Principles Board from 18 members to 21, and elected William M. Black of New York, Joseph Campbell, Washington, D.C., and Leonard Spacek of Chicago to fill the new positions.

Other actions of Council

The report of Council to the membership noted that \$138,000 had been pledged to support the research program in 1960-61, but that less than 10 per cent of the members had subscribed, either personally or through their firms,



Chairman William H. Holm of the Board of Examiners (center) asked the wives of the Sells Award winners to make the presentation. Above (l. to r.) Mr. and Mrs. Byrle Marsh Abin and Mr. and Mrs. Robert J. Lill.

and others were urged to do so.

The outgoing Council on Saturday approved a recommendation of the executive committee that a list of practitioners and firms, including only those all of whose partners belong to the Institute, be substituted for the present biennial membership directory. However, the new Council on Thursday voted to ask the executive committee to reconsider this question.

By a vote of 86 to 57, Council instructed the committee on bylaws to prepare an amendment which would allow individual state societies to enter into an agreement with the Institute that thereafter all new members of either organization in the state must be members of both. This will presumably come up for action at next year's annual meeting.

Associate member class

Another proposed bylaw change which received approval both of Council and of the members present at the meeting would create a class of associate members, without the privilege of voting or holding office, for CPAs who lack two years of public accounting experience or its equivalent, as now required for membership. This will be submitted to the entire membership for mail ballot.

Still another proposed amendment of the bylaws, which was approved, would provide that each state society should submit to the Institute's nominating committee at least two names for every membership on Council to which the state is entitled. Suggestions for nominees to Council are now submitted by individual members in the states.

Independent nominations

Also approved was an amendment which would eliminate nominations from the floor at the annual meeting, although it would retain the provision that independent nominations could be filed with the secretary at least twenty days before the meeting. It was felt that there should not be a floor contest without prior notice to the membership. Several minor amendments reported in the notice for the meeting were adopted unanimously and will be submitted for mail ballot.

Resolution on U.S. budget

A resolution was adopted by Council for transmission to the President of the United States commending him "for enlisting public support for fiscal responsibility in the Federal Government, and in



Representative Glenard P. Lipscomb addresses the opening day luncheon.

particular for the achievement of a surplus in 1960 and recommending a balanced budget for fiscal year 1960-61, which would permit a debt reduction." The resolution also urged members of the Institute to send communications to their Congressmen supporting a balanced budget.

Congressman speaks

A speech by Representative Glenard P. Lipscomb (R., Calif.) at the Monday luncheon aroused a good deal of discussion and considerable enthusiasm. Mr. Lipscomb, a licensed public accountant, commended the Institute for efforts to achieve better relations with licensed and registered accountants, and urged closer co-operation. Text of the speech will appear in the November issue of *THE JOURNAL OF ACCOUNTANCY*.

Presidential objective

At luncheon on Wednesday, Louis H. Pilié was formally installed as Institute president.

Noting that past presidents had often chosen a specific theme for emphasis during their administrations, he said that his major objective during his year in office would be "to improve the lot of the greatest single group in the Institute, the small and medium-sized practitioners, and the clients they serve." In discussing this objective, he emphasized especially the coming impact of mechanization on ac-

counting practitioners, both as a danger and as an opportunity.

As previously announced, the Institute's gold medal award was presented to George D. Bailey of Detroit (see cut p. 3).

Winners of the Elijah Watt Sells Awards, presented by chairman William H. Holm of the Board of Examiners, were: gold medals, Byrle Marsh Abin, Evanston, Ill. (November 1959 examination), and Robert J. Lill, Chicago, Ill. (May 1960 examination). Silver medals, David M. Lang, Jr., Levittown, N.J. (November 1959—took examination in D.C.) and Roland S. Hill, Cleveland, Ohio.

State society awards

A new feature of the meeting was presentation by President Seidman of Membership Achievement Awards to state societies with an outstanding record in respect to Institute membership. Nevada received the gold award for having 83 per cent of its members, members of the Institute; silver and bronze awards were given to Hawaii (81 per cent) and South Dakota (78 per cent). Membership committee awards were given on the basis of percentage of increase in Institute membership during the year. For states with over 600 members, this went to member-

ship chairman A. B. Wiener of Florida (12 per cent); for those with 175-600 members, to John Ralph Schmich of Arizona (24 per cent); and for those with less than 175 members, to Arthur W. Cobb, Jr., of Maine (24 per cent).

Resolutions applauding the results achieved by chairman I. H. Krekstein and the committee on meetings, and of the ladies committee under the chairmanship of Mrs. Thomas H. Carroll, were adopted enthusiastically.

Social activities

A Sunday afternoon reception in the beautiful Philadelphia Museum of Art, and a Tuesday evening concert by the Philadelphia Symphony Orchestra, were distinctive features of the social side of the meeting. Eugene Ormandy, the orchestra's conductor, said he had never had a more appreciative audience.

On Monday evening there was a special reception, arranged by President Seidman, for those attending their first annual meeting. The several hundred in this category were largely responsible for bringing total registration above 2,700, considerably more than at any previous meeting.

The meeting concluded with dinner dances at the two headquarters hotels Wednesday evening.



Some forty guests attended a special dinner for foreign visitors which was given by President J. S. Seidman during the annual meeting. Pictured above (l. to r.) Mrs. Washington SyCip; incoming president Louis H. Pilié; Mrs. Pilié; Mrs. J. S. Seidman; and Mr. Washington SyCip, past president of the Philippine Institute.

ANNUAL REPORT



A message from the president of the Institute:

The Problems That Still Confront Us

THE 1960 annual report is pitched to the pursuit of excellence.

If we are to achieve excellence, there are — to me — several unexcellent things that challenge us. I am abundantly satisfied that our profession has what it takes to solve them.

I will list a few, and because of the space problem will have to content myself with offhand comments, rather than detailed analysis.

Accounting principles

Our accounting principles need strengthening. Flexibility is certainly preferable to rigidity. But flexibility is to be distinguished from amiability. The public is our consumer. The public is nonplussed when under the same circumstances two or more widely different sets of figures are “certified” by us. To pursue that unmerry way is to make the ground beneath us shaky. Fortunately, we have a new fabric for the development of accounting principles — the Accounting Principles Board. The Board has already set its course to take a good, hard look from stem to stern.

Independence and competence

The foundation for every practitioner becomes insecure if the public indulges in the belief that audit opinions of only the large CPA organizations are trust-

worthy. The public will shun that belief if it is satisfied, by continuing demonstration, that independence and competence are not the handmaidens of size. On independence, it is the local practitioner who should sound the alarm for all CPAs to run like a plague from any relationship — financial, social, or moral — that can cause any doubts about independence in the public mind. As for competence — continuing education, staff training courses, membership consultation services, technical information services, valuable up-to-date professional literature are all made available by the Institute to the local practitioner. If he doesn't drink this in, the mere fact that he is at the well does not impress the public.

Confusion in titles

The public is bewildered by the varying, yet similar titles that abound in practice. There is the certified public accountant, the enrolled, licensed, or registered accountant, the accountant and auditor, and then just the name and no title. To the public, this has become an undifferentiated mass of “accountants,” all doing the same thing. As a result, the intended protection for the public through the identified competence implicit in the CPA certificate comes to naught. Only CPAs should ultimately be permitted to use a title embodying the word “accountant” or “auditor.” In the medical profession there are distinct

gradations made clear by distinct titles — nurse, pharmacist, dentist, surgeon. We, too, must distinguish bookkeepers and other technicians from “accountants.”

Uniform requirements

But even we CPAs are not in the clear. We have interposed state barriers to CPA title and practice, although business and debits and credits refuse to be hemmed in by such arbitrary lines. Furthermore, in some states the CPA springs from certain levels of education and experience; in others those levels are higher, lower, or nonexistent. It is difficult enough to get the public to distinguish between CPAs and non-CPAs. To ask that it also distinguish among CPAs is really going too far. Just as we fortunately have a uniform examination throughout the land, so also should there be uniform education and experience requirements. Furthermore, a CPA of one state should have unrestricted rights of practice as a CPA in every state. Do we, in the fifty states, have the necessary statesmanship, vision, and goodwill to bring this about?

Public responsibility

We are shortchanging the public and ourselves by our sheepishness about talking out on public issues. There are fundamental fiscal, economic, tax, and accounting problems that confront the nation, and on which the people are entitled to know our point of view; but we have remained mute. Often our reticence is not a becoming modesty, but an unbecoming timid-

ity about reaction of some clients. That is not a mark of professional maturity. We also owe the nation and ourselves increased participation in government and politics. The number of CPAs in the federal legislature today is a complete zero. We point with pride to Maury Stans, Joe Campbell, Bill Franke, and some others, when we should in fact be ashamed that our numbers in high places are so few. I hope we will strike paydirt through the efforts of the public affairs committee, the government participation committee, and the long-range tax policy committee set up by the Institute this year.

Common membership

There is some straightening out to do within our own professional organizations. Valuable time and effort of members are being duplicated in our national and state bodies. Irritating and divisive differences exist in membership eligibility and in membership roster. About one-third of the CPAs belong to neither the Institute nor the state societies. Let us advance toward the day that will bring to the Institute and all state societies uniform admission requirements, common membership, co-ordinated functioning, all at such attractive levels of service, cost, and prestige, that they will make every CPA clamor for membership.

Well, these are some of the things that beckon for attention. We can score handsomely in the pursuit of excellence, if we tackle the problems with the objectivity and forthrightness that are the badge of our profession.

J. S. SEIDMAN

A report on Institute activities in 1960:

In the Pursuit of Excellence

EVERY YEAR, for several years, it has been necessary for the Institute to formulate policy on important questions facing the accounting profession. New responsibilities and opportunities have been studied and discussed. How the Institute can best serve in meeting these responsibilities and in rising to these opportunities has been redefined. Especially significant recent decisions have been made to undertake a professional development program, reorganize and raise the research program to a new level, and find a nationally acceptable standard of education and experience for new certified public accountants.

During 1960 the main lines of policy have been clear. It was essentially a year not for planning but for implementation.

Professional Development

Great hopes for the profession's growth rest upon the Institute's professional development program, which, during the past year, began to take solid form. In launching this program, the presidents of many state societies have written letters that helped substantially. For example, chapter presidents and chairmen of committees on professional development in Texas were told by their president: "... the American Institute has invested a very large sum in the preparation of the courses and in making them available to our members. All four courses now offered are very good, and it is our hope that every member of the Texas Society, whether or not in public practice, will have the opportunity of taking them all. . . ."

This kind of support resulted in well over three hundred junior accountants attending the new ten-day staff training sessions this summer at five universities: Syracuse, Purdue, California at Santa Barbara, Georgia, and Texas. Forty CPAs reviewed the course material, which is oriented to the needs of local firms. The apparent usefulness of the course itself makes it certain to become an annual offering.

The new two-day course, Building an Accounting Practice, is based on materials collected through interviews with local practitioners over a period of two years. It was enthusiastically received by 133 Institute members in Washington, D.C., in May; it has been scheduled in several states next spring and fall. A new course, entitled Budgeting for Profit in Small Business, has been given several times through the past summer and is scheduled for presentation by several state societies this fall.

All the older established courses in the program are being revised to meet better the needs of local practitioners. In addition to being updated, course materials have been compressed and reorganized so that they can be presented in one day, thus saving time and travel costs.

A number of new courses are in preparation: generally accepted auditing standards, reporting requirements for SEC registration statements, human relations, and five separate courses on tax planning for clients.

Management Services

The interest of certified public accountants in their own professional improvement is demonstrated by acceptance of the Institute's Management Services Project. Eight thousand CPAs have subscribed to the first series of five bulletins, three of which appeared during the past year — *Financing the Small Business*, *Cost and Cost Controls*, and *Office Management*. A new series has been planned for publication beginning next year.

Economics of Practice

During 1960, two more bulletins appeared in this series, which will henceforth be called Management of an Accounting Practice: *Bulletin #11 — Billing and*

Collection Procedures and *Bulletin #13 — Planning a Practice for Growth*. (Publication of *Bulletin #12 — Selected Tax Problems in Accounting Partnerships* — was held up pending Congressional action which might affect the substance of the booklet.)

Future publications in the Management Services and Management of an Accounting Practice series will be available to Institute members at no charge during the coming year.

Technical Information Service

The Institute's Technical Information Service has continued to provide hundreds of practitioners and firms with carefully studied opinions, guidance, and references, on problems involving matters of accounting principle and procedure, proper financial presentation, auditing standards and reports.

The 1,850 inquiries answered this year either by letter, telephone, or in face-to-face discussion represent a 15 per cent increase over inquiries handled last year and almost double the number handled two years ago. Apart from tangible services to practitioners, the Technical Information Service assists the whole profession by encouraging adherence to existing standards, citing Institute publications wherever possible.

Library

Institute members used the services of the library more than ever, with increases during the past year as indicated below:

	1959	1960
Questions answered	29,373	31,071
Books and pamphlets circulated	12,584	13,747
Books catalogued	13,881	14,255
Pamphlets catalogued	28,256	29,475

Journal of Accountancy

THE JOURNAL OF ACCOUNTANCY continued to broaden its editorial approach this year, while maintaining its emphasis on articles of practical value to practitioners. In line with the objective adopted by Council two years ago (see *Annual Report — 1959*, p. 17) that the Institute should "serve as the national organization of certified public accountants in and out of public practice," THE JOURNAL has been giving increased attention to government and industrial accounting, and to data processing. Accountants in industry and teaching, and some who have worked for government, are now on THE JOURNAL's editorial board. A section of "News Features" has been added, covering with greater depth such subjects as installation of accounting systems and fiscal problems of municipal governments.

THE JOURNAL's educational role is so significant that it is also gratifying to note its journalistic success. For

the second consecutive year, circulation reached an all-time high — over 91,000. Advertising revenue also reached a record high.

Education and Experience

All of the above activities may be regarded as phases of the certified public accountant's "pursuit of excellence." This slogan, which has acquired some popularity during recent reappraisals of our American educational efforts, has always been descriptive of the accounting profession's attitude toward education. However, this pursuit is now more thoroughly organized, and the responsibilities of the profession for standards of education and experience tend to grow.

Council adopted a resolution that at least one year of the qualifying experience for the CPA certificate should be in public practice. In a further effort to encourage uniformity of standards, the committee on qualifying experience has prepared for discussion a draft statement which will be revised and submitted to Council next spring.

The profession's concern for excellence has also been reflected in plans of the committee on relations with universities for providing more aids to accounting instruction, more faculty residencies, more student internships and scholarships, and for the possible establishment of an accrediting agency.

Relations with PAs

During the year there were several joint meetings between representatives of the Institute and of the National Society of Public Accountants. The Institute was represented at these sessions by its committee on co-operation with public accountants, under the chairmanship of Robert E. Witschey. This committee was appointed last fall by President Seidman to implement a Council recommendation that CPAs maintain friendly relations with public accountants, in order to improve educational, technical and ethical standards and to provide aid in fulfilling the requirements for the CPA certificate.

Early in these exploratory discussions it became apparent that one barrier to working with the National Society was the fact that about a third of its members were unlicensed practitioners in older regulatory states. Since they could not be described as "public accountants," the Institute was not authorized to co-operate with them. After discussion, NSPA representatives said they would consider the possibility of licensing such practitioners not under a "grandfather" clause but by means of a "realistic examination." CPA representatives held that the Uniform CPA Examination was realistic and said that, as part of an overall program, consideration might be given to making the examination accessible to unlicensed practitioners with acceptable experience. Those who could not pass the

examination would then be obliged to accept a non-professional title and waive the right to express opinions on financial statements. No agreement has yet been reached on this point.

An article by Mr. Witschey on relations between CPAs and noncertified accountants is to appear in an early issue of *THE JOURNAL*. Meanwhile, the Institute's executive committee agreed that conferences with NSPA should be continued in an effort to reconcile differences between the two organizations on legislative policy in the best interest of the public.

Federal Taxation

During 1960, many of the Institute's activities in areas of the CPA's special technical competence gained greater recognition for the accounting point of view in business and in government.

In addresses before the Economic Club of Detroit, the Commonwealth Club in San Francisco, and other audiences, President Seidman drove home for a wide public an accounting point of view toward one of the country's largest problems. He declared: "... today, good judgment takes a back seat to taxes in deciding things like where we live, what we do with our money, what we say in our wills. . . . Four things are out of gear: Rates are too high; there are too many loopholes; the law is too complicated; and enforcement is not complete." Editorial comment was favorable and widespread; the Scripps-Howard chain found in President Seidman's words reason for declaring that tax reform must be given a top priority by the next administration.

Pending any sweeping reforms, the Institute's committee on federal taxation has continued its annual labor of presenting to Congress and the Treasury De-

partment an accounting point of view toward both legislative and administrative tax matters, submitting numerous comments in person or by letter. Items:

- A committee representative testified before the Ways and Means Committee of the House of Representatives, questioning legislation proposed by the Treasury Department to provide for taxation as ordinary income of any gain upon sales of tangible depreciable personal property. There was no action on this proposed legislation.
- The Institute's committee objected to H.R. 9625 as an unfair burden on taxpayers and practitioners. The bill would have substituted for the present 90-day letter a 30-day notice which, if not replied to, would permit the commissioner to assess a deficiency immediately. Congress took no action on this bill.
- Despite the objections of the Institute's committee, H.R. 9660 became law, eliminating the 90-day letter completely in the case of certain additions to tax for underpayments of estimated tax or failures to file a return.
- The committee recommended legislation, which Congress passed, to counteract the effect of a ruling which would limit the circumstances under which vacation pay can be deducted.
- In response to a request made by the Treasury Department last year, the committee procured information regarding inventory pricing practices in more than 3,000 companies, particularly when Lifo inventories are valued under the dollar-value method. The survey demonstrated a tendency on the part of companies using dollar-value method to use a small number of pools.



American Institute officers for the past year (1959-60): Standing (l. to r.): Russell S. Bock, vice president; Edward J. McDevitt, vice president; Thomas D. Flynn, treasurer; Hatcher A. Pickens, vice president. Seated: Frank L. Arnold, vice president; J. S. Seidman, president.

- The committee submitted a statement to the Senate Finance Committee on H.R. 9662 regarding changes recommended by Advisory Groups on Subchapters J (estates and trusts) and K (partners and partnerships). There was no action on this bill.
- At its spring meeting, Council authorized the committee on long-range tax policy to proceed with the organization of a study of federal tax policy and administration.
- The efforts of the Institute, along with other professional associations, again fell short of bringing about passage of HR 10, which would permit the self-employed to defer taxes on limited amounts of income set aside in retirement programs. After nine years, however, this legislation for the first time was passed by the House and reported in a different form by the Senate Finance Committee.

Technical Committees

A summary to Council of the work of technical committees noted: "The expanded scope of the CPA's practice is reflected in the number of new technical committees which have been recently created by the Institute. In general terms, all of them have a common objective: to equip CPAs to take full advantage of their new opportunities for service in a manner which will further enhance the profession's prestige."

Within the limits of a fairly brief annual report, it is scarcely possible to report more than a sampling of what these committees have done. Items:

- The federal budget and accounting committee met three times with representatives of the Bureau of the Budget, the General Accounting Office, and the Treasury Department. Agendas included: full funding, payments between funds, promotion of cost-based budgeting, compulsory annual reduction of the public debt, and capital budgeting.
- The committee on labor union and welfare funds conferred with Secretary of Labor Mitchell and his executive assistants about the considerable reliance which they place upon the work of CPAs in the administration of the new financial disclosure laws covering pension and welfare plans and labor unions.
- The committee on the natural business year produced a new promotion kit to assist state societies in planning their programs.
- The committee on co-operation with surety companies issued a booklet, *Auditing in the Construction Industry*.
- The committee on uniform accounting provisions of state corporation laws has sought to devise a

set of practical accounting and financial provisions for use in future corporation statutes. The New York members of the committee made recommendations to the New York Joint Legislative Committee for the revision of the New York State business corporation law.

- The committee on accounting for public housing has followed closely developments that suggest the possibility of growing reliance on independent CPA audits by three federal agencies concerned with housing programs.
- The technical services department of the Institute prepared a booklet, *Special Reports – Application of Statement on Auditing Procedure No. 28*. This is a how-to-do-it booklet illustrating application of reporting standards in special circumstances.

Federal Legislation and Audits

It is striking how much of the activity of Institute technical committees is related to action or proposals under consideration by the federal government. During the 86th Congress, the Institute's year-old Washington office examined portions of 18,500 bills and 700 public laws to determine whether or not they affected CPAs.

The more than 40 bills with provisions for independent audits considered by the 86th Congress were not major legislative proposals, but as precedent they may have considerable significance to the accounting profession. Discussion in committee and on the floor of Congress regarding one of these bills, H.R. 5789 (for granting a federal charter of incorporation for an Agricultural Hall of Fame) illustrates this significance. The discussion showed:

- Growing recognition by Congress that independent audits are essential to adequate financial control.
- Realization by Congress that standards governing auditors and the audit must be included in legislation.
- Increasing unanimity of the Institute, the General Accounting Office, other executive agencies, and Congress on how audit provisions should be written.

Accounting Principles Board

The new Accounting Principles Board commenced to function during the year. Work on the following projects was begun:

- Basic accounting postulates
- Broad accounting principles
- Accounting for income taxes
- Long-term leases

Business combinations

Accounting for nonprofit organizations

In line with established policy of widening the contacts between the profession and other interested groups and individuals, about one thousand announcements of these six projects were distributed, with invitations to comment, make suggestions, and provide help in research.

The membership has been invited to contribute funds to the American Institute of CPAs Foundation for this project. Of the total amount of pledges received for the five-year program, just under \$125,000 is attributable to 1960-61. The Institute has committed \$200,000 to launching the program in the coming year.

The executive committee chose as Director of Accounting Research Maurice Moonitz, professor of accounting at the University of California at Berkeley. Dr. Moonitz assumed his new duties on July 1.

Long-range Objectives

The long-range objectives committee continued its discussion of overall policy for the Institute, and, on its recommendation, Council set as an objective of the Institute the fullest possible co-ordination with state societies by voluntary agreement, leading particularly to uniformity of ethics codes and enforcement procedures. A committee on co-ordination has produced the first draft of a statement dealing with basic responsibilities of the Institute and state societies in major functional areas.

Personnel Recruiting

The Institute's new recruiting film, *CPA*, was released last November. Reports from teachers and guidance counselors indicate that the film is serving its purpose; and, in May, it won the Chris Award presented by the Film Council of Greater Columbus, Ohio.

Relations with Other Groups

The committee on relations with the Bar has kept close watch on legislative proposals that would affect the tax practices of lawyers and CPAs, none of which moved out of Congressional committees during the past year. Liaison was maintained with other professions and national associations concerned with accounting.

Growth of the Institute

A record for membership growth was set in 1960. The net advance was 3,713 — to a total of 37,897. This increase was encouraged by special drives in some

states, notably in New York, where the Institute's president and a special committee participated. Also, it is likely that the increase is related to the Council Activity Program and to committee meetings in the field, a program which was initiated last fall as part of an effort to "bring the Institute closer to its members."

Amendment to Insurance Plan

The insurance committee of the AICPA Insurance Trust was able to report another good year. There was a big increase in participation in the CPA Plan. Contributions to the trust went up nearly 20 per cent. Investment income more than doubled. The total dividend received from the insurance companies increased over 35 per cent. The gross rate of contribution for insurance for participants in the CPA Plan who have not attained the age of 35 was cut in half, effective October 1, 1960.

Professional Ethics

The committee on professional ethics proposed a revision of Rule 13 of the *Rules of Professional Conduct* which, as amended by Council, was presented for vote at the 1960 annual meeting. (See p. 2.) The committee also neared completion of a codification of all the rules, which is expected to be submitted to Council in 1961.

Advancing the Institute's Work

As the services rendered by members to their clients become more complex and varied, the Institute's services also tend to become greater in both number and scope.

During the past summer 14,643 Institute members responded to a questionnaire to determine whether specific services and publications were deemed essential, desirable, or dispensable. Two-thirds or more of this very large sampling of Institute members regarded *all* services and publications listed as essential or desirable.

All these services and publications are made possible by the dues of Institute members and by the time and thought members donate to Institute affairs. This year Council approved a new schedule of dues, which, in most categories, results in increases — the first since 1952. There are no statistics on donated time, but the profession is giving its time more generously than ever in hundreds of other meetings across the nation. If a charge were made for this time at usual rates, the cost would be formidable.

In these ways and in many others not covered in this report, the profession has carried on its traditional pursuit of excellence.

Financial Statements

AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS

STATEMENTS OF INCOME AND EXPENSE

Years Ended August 31, 1960 and 1959

INCOME		1960	1959
Membership dues		\$1,039,483	\$ 965,835
Fees from state boards of accountancy		322,040	268,560
The Journal of Accountancy:			
Subscriptions earned from non members and similar income, less printing and mailing costs		277,788	256,205
Advertising		230,047	207,560
Sales of miscellaneous publications, less printing and mailing costs		265,434	209,146
Income from investments, including similar income from American Institute of Certified Public Accountants Foundation for library expense		70,184	64,887
Sundry income		9,699	1,770
Total income		<u>2,214,675</u>	<u>1,973,963</u>
EXPENSE			
General activities, meetings and administration		304,060	300,005
Membership promotion and admissions		52,057	43,967
Research and technical (net)		235,705	240,220*
Uniform CPA examinations		292,114	274,889
Educational activities		52,926	31,235
Publications		429,300	372,483
Addressing and circulation fulfillment		104,958	96,010
Public relations (net)		120,436	132,469
State society service		62,101	47,414
Economics of accounting practice		9,313	25,086
Federal government information		42,712	49,924
Library		60,466	57,177
Accounting and membership records		111,032	94,603
Office management and services		193,969	147,538
Protection of the practice of the profession		9,632	18,574
Total expense		<u>2,080,781</u>	<u>1,931,594</u>
Excess of income before the following charges		133,894	42,369
Equipment, furniture and furnishings		16,604	9,409
Reserved for 1962 International Congress of Accountants		15,000	15,000
Professional development project (net)		27,184	30,341*
Accounting research (principles)		63,665	
Extraordinary legal fees and cost of management survey			40,656
		<u>122,453</u>	<u>95,406</u>
Transferred to income retained for working capital		<u>\$ 11,441</u>	<u>(\$ 53,037)</u>

*1959 figures are restated for comparative purposes to include management services project costs amounting to \$23,705 with research and technical expense.

AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS

STATEMENTS OF ASSETS, LIABILITIES AND FUND BALANCES

August 31, 1960 and 1959

GENERAL FUND		1960	1959
Assets:			
Cash		\$ 175,765	\$ 260,523
Marketable securities, at cost (quoted market 1960 \$1,244,678; 1959 \$1,102,381)		1,219,829	1,081,543
Receivables		176,482	102,458
Inventories, at cost		58,075	45,193
Prepaid expense		22,385	8,018
Due from Elijah Watt Sells Scholarship Fund		296	405
Furniture and equipment, at nominal value		1	1
Total assets		<u>1,652,833</u>	<u>1,498,141</u>
Liabilities:			
Payables		102,116	129,100
Dues collected in advance		543,185	345,517
Subscriptions and advertising unearned		261,507	303,940
Total liabilities		<u>906,808</u>	<u>778,557</u>
General fund balance:			
Reserved for 1962 International Congress of Accountants		45,000	30,000
Reserve for contingencies		400,000	400,000
Income retained for working capital		301,025	289,584
Total general fund balance		<u>\$ 746,025</u>	<u>\$ 719,584</u>
ENDOWMENT FUND			
Assets:			
Cash		\$ 403	\$ 721
Marketable securities, at cost (quoted market 1960 \$562,759; 1959 \$528,463)		366,721	297,886
Library books, furniture and equipment, at nominal value		1	1
Fund balance		<u>\$ 367,125</u>	<u>\$ 298,608</u>
ELIJAH WATT SELLS SCHOLARSHIP FUND			
Marketable securities, at cost (quoted market 1960 \$5,043; 1959 \$4,534)		\$ 4,645	\$ 4,645
Less amount due general fund		296	405
Fund balance		<u>\$ 4,349</u>	<u>\$ 4,240</u>

STATEMENT OF CHANGES IN FUND BALANCES

Year Ended August 31, 1960

	General	Endowment	Elijah Watt Sells Scholarship
Balance, beginning of year	\$719,584	\$298,608	\$4,240
Added to income retained for working capital	11,441		
Excess of income over expense			109
Reserved for 1962 International Congress of Accountants	15,000		
Gain on sale of securities		68,517	
Balance, end of year	<u>\$746,025</u>	<u>\$367,125</u>	<u>\$4,349</u>

UNIFORM CPA EXAMINATIONS – INCOME AND EXPENSE

Years Ended August 31, 1960 and 1959

	1960	1959
Fees from state boards of accountancy	\$322,040	\$268,560
Expense:		
Fees for preparing examinations and grading papers	170,892	171,523
Salaries, social security taxes and employee benefits	57,151	40,480
Supplies, mailing, shipping and printing	32,539	36,042
Telephone and telegraph	382	341
Insurance on examination papers	212	250
Equipment and equipment maintenance	1,457	646
Rent	27,000	24,000
Meeting and sundry	2,481	1,607
Total expense	<u>292,114</u>	<u>274,889</u>
Excess of income over expense	<u>\$ 29,926</u>	<u>(\$ 6,329)</u>

AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS FOUNDATION

STATEMENTS OF ASSETS AND FUND BALANCE

August 31, 1960 and 1959

Assets:	1960	1959
Cash	\$115,123	\$ 1,926
Marketable securities, at cost (quoted market 1960 \$117,584; 1959 \$111,714)	100,856	83,920
Fund balance (including permanent capital of \$2,747)	<u>\$215,979</u>	<u>\$ 85,846</u>

STATEMENTS OF INCOME AND EXPENSE AND CHANGES IN FUND BALANCE

Years Ended August 31, 1960 and 1959

Income from securities less custodian fees:		
Contributed to American Institute of Certified Public Accountants for library expense ...	\$ 3,767	\$ 3,926
Contributions received:		
For support of the accounting research program	\$117,091	\$
For permanent capital	2,747	
Miscellaneous	48	31
	<u>119,886</u>	<u>31</u>
Gain or (loss) on sale of securities	11,884	(1,472)
	<u>131,770</u>	<u>(1,441)</u>
Deduct — stationery, postage and supplies	1,637	
Net income	130,133	(1,441)
Fund balance, beginning of year	85,846	87,287
Fund balance, end of year	<u>\$215,979</u>	<u>\$ 85,846</u>

AMERICAN INSTITUTE BENEVOLENT FUND, INC.

STATEMENTS OF ASSETS AND FUND BALANCE

August 31, 1960 and 1959

Assets:	1960	1959
Cash	\$ 16,571	\$ 17,368
Marketable securities, at cost (quoted market 1960 \$250,153; 1959 \$238,623)	216,015	196,310
Fund balance	<u>\$232,586</u>	<u>\$213,678</u>

STATEMENTS OF INCOME AND EXPENSE AND CHANGES IN FUND BALANCE

Years Ended August 31, 1960 and 1959

Income:		
Bequest	\$ 1,000	\$
Contributions	20,900	20,855
Income from investments	8,777	8,239
Total income	<u>30,677</u>	<u>29,094</u>
Expense:		
Assistance to members	9,478	7,750
Stationery, printing and other expense	604	679
Total expense	<u>10,082</u>	<u>8,429</u>
Excess of income over expense	20,595	20,665
Loss on sale of securities	(1,687)	(1,115)
Fund balance, beginning of year	213,678	194,128
Fund balance, end of year	<u>\$232,586</u>	<u>\$213,678</u>

HURDMAN AND CRANSTOUN
CERTIFIED PUBLIC ACCOUNTANTS
43 BROAD STREET
NEW YORK 4, N.Y.

To the Members of the American Institute
of Certified Public Accountants:

We have examined the statements of assets, liabilities and fund balances at August 31, 1960 of the American Institute of Certified Public Accountants, the American Institute of Certified Public Accountants Foundation, and the American Institute Benevolent Fund, Inc, and the related statements of income and expense and fund transactions for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the accompanying statements of assets, liabilities and fund balances and of income and expense and fund transactions present fairly the financial position of each of the aforementioned organizations at August 31, 1960, and the results of their operations for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Hurdmann & Cranstoun

New York, N Y
September 23, 1960

CPA Exam Graders Wanted

CPAs to grade papers, at Institute headquarters in New York City, during the six-to-eight-week period following the second annual Uniform CPA Examination, November 2 through 5, are needed by the Institute's Department of Education.

Qualifications include: graders must be Institute members; they must be able to devote a minimum of three days a week to it (grading may be done on Saturdays) for the entire period. Teaching experience is desirable but not required.

Graders will be paid on a per-diem basis. Interested members should contact Edward S. Lynn, Director of Education, American Institute of CPAs, 270 Madison Avenue, New York 16, N. Y. A personal resume and references should accompany the letter. All applicants under consideration will be personally interviewed.

OBITUARIES

(Membership date in parentheses)

WM. B. BOULTER ('11), 78, Wm. B. Boulter & Co., Chicago, Ill.

FRANCIS J. CANNAN ('57), 75, Niagara University, Niagara Falls, N.Y.

EUGENE A. CONNIFF ('42), 65, Eugene A. Conniff Company, Pittsburgh, Pa.

LESTER T. FARLEY ('59), 52, U. S. Internal Revenue Service, San Francisco, Calif.

FRANK S. HECOX ('30), 61, Iron Fireman Manufacturing Company, Portland, Ore.

CHARLES A. HOPWOOD, JR. ('59), 43, own account, Ellicott City, Md.

LOUIS KADIS ('46), 53, Kadis & Naron, Baltimore, Md.

M. HERBERT KING ('31), 51, Sullivan, Stauffer, Colwell & Bayles, Inc., New York, N. Y.

JOSEPH A. MALONEY ('49), 41, Peat, Marwick, Mitchell & Co., Chicago, Ill.

HAROLD J. MATTESON ('26), 67, James S. Matteson & Co., Duluth, Minn.

JOHN J. MORAN ('56), 42, own account, Waterloo, Iowa.

J. KENNETH MORGAN ('49), 41, own account, Cumberland, Md.

ALLAN E. PACKER ('57), 39, Mels Drive-In Restaurants, San Francisco, Calif.

STANLEY W. PARK ('16), 71, S. W. Park & Co., New York, N. Y.

WILLIAM E. PLUMB ('51), 60, own account, Fort Worth, Tex.

HURLBUT L. PLUMMER ('28), 70, own account, Stoneham, Mass.

JOHN RABENAU, JR. ('36), 61, Rabenau & Slais, St. Louis, Mo.

GLENN ALBERT RAILSBACK, JR. ('44), 40, own account, Pine Bluff, Ark.

EDGAR O. REYNOLDS ('47), 41, Lansing Dairy Co., Lansing, Mich.

ROLLIN P. RODOLPH ('25), 63, Rodolph, Zamsky & Co., Klamath Falls, Ore.

JOHN H. ROGERS ('39), 70, own account, Baltimore, Md.

ALBERT H. SEARCY ('45), 60, B. F. Goodrich Textile Products, Thomas-ton, Ga.

MASTEN SPENCER ('42), 57, Vallejo, Calif.

HAROLD G. SNIDER ('51), 35, Snider & Shouse, Lexington, Ky.

GEORGE A. STEPHENS ('52), 61, Amen, Surdam & Co., Buffalo, N. Y.

ULYSSES S. TASCH ('50), 72, own account, New York, N. Y.

CPA

THE CERTIFIED PUBLIC ACCOUNTANT

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CPA

November 1960

What the Members Think

LAST SUMMER all members of the American Institute were asked to express their opinions about forty activities and programs which have been carried on with the approval of the Council and the executive committee.

Members were asked to rate each of these activities as "essential," "desirable," or "dispensable." Replies were received from 14,643 members, representing a remarkably high percentage for a mail questionnaire.

Every one of the forty activities was rated "essential" or "desirable" by more than two-thirds of those who replied. Only one — the pamphlet listing officers and committee members — was considered "dispensable" by more than 28 per cent.

In evaluating the results of this survey, it should be remembered that many of the Institute's activities and services are intended only for a segment of the membership. For example, the Economics of Practice Bulletins are directed primarily to partners and individuals in the smaller firms in public practice. Yet 33 per cent of those who replied considered these bulletins essential, 47 per cent rated them desirable, and only 20 per cent said they were dispensable or failed to rate them at all. It should also be noted that the economics project, like a number of others, has been a self-supporting service, though now absorbed in the regular budget. Other publications — *THE JOURNAL*, for example — result in substantial income to the Institute.

Analysis by Occupation

While there was naturally some variation in the answers from different groups in the membership, the general agreement was much more striking than the differences. Separate tabulations were made of replies from partners in national firms, partners in local firms, individual practitioners, staff assistants in public accounting, teachers of accounting, cor-

**A message from
President Pille (p. 3)**

**Institute will support
pensions for the
self-employed in
87th Congress (p. 4)**

**Write-up work and
professional prestige (p. 7)**

**Ethics Opinion No. 10
on pro forma
statements and forecasts (p. 6)**

PLEASE DO
NOT DESTROY

The CPA, November 1960. Published monthly, except July-August when bimonthly. For membership of the American Institute of CPAs, Volume 42, No. 12. Publication and editorial office: 270 Madison Ave., New York 16, N. Y. Second-class postage paid at New York, N. Y.

poration executives, government officials, retired members, and others. None of the forty activities was rated "dispensable" by a majority in any group. Among the 2,504 corporation executives who responded, 39 per cent considered the directory of officers and committee members dispensable. This was the highest "dispensable" rating for any category by any group.

One of the key questions on the survey was whether or not members preferred to have Institute dues kept at the lowest possible level and charges made for publications like the economics and management services bulletins, or maintained at a level which would permit services and publications to be provided to all members without additional charges. The respondents voted nearly two to one (62 per cent to 37 per cent) in favor of dues at the lowest possible level. The favorable vote for low dues was heaviest among individual practitioners and members in industry, government and education; it was fairly close among partners in national (54 per cent to 45 per cent) and local (59 per cent to 40 per cent) firms.

The survey results are now being carefully studied by a subcommittee of the executive committee, headed by former president L. H. Penney of California, which is evaluating all of the Institute's activities in terms of their cost and benefit to the membership. Based in part on the survey, the subcommittee has already advanced a number of proposals — including a recommendation to substitute publication in *The CPA* for the booklet listing officers and committees, re-examination of the nature of the membership directory, and some modifications in the operation of the technical information service.

A summary of the questionnaire results is presented in the accompanying table. While space does not permit analysis of the results by occupational groups, Mr. Penney's committee is giving careful consideration to the fact that some activities may be rated essential or

desirable by certain groups of members, even though they may

receive a lower rating from the whole membership.

INSTITUTE SERVICES AND PUBLICATIONS SURVEY

Tabulation of 14,643 replies

	<i>Essential</i> %	<i>Desirable</i> %	<i>Dispensable</i> %	<i>No Answer</i> %
Group I—Essential Exceeds Desirable				
Statements on Auditing Procedure	84	14	1	1
JOURNAL OF ACCOUNTANCY	80	19	1	0
Ethics committee and Trial Board	78	18	2	2
Uniform CPA Examination	78	15	6	1
Accounting Research Program	76	20	2	2
By-Laws, Rules of Professional Conduct	72	23	4	1
State CPA legislation	62	32	4	2
Public relations program	60	33	5	2
Case Studies in Auditing Procedure	58	35	6	1
Co-operation with bar	57	38	4	1
Co-operation with bankers	56	38	4	2
Activities of committees on Federal taxation	56	37	5	2
Services to state societies	47	44	6	3
Special industry bulletins	47	44	8	1
Films and pamphlets to attract young people to the profession	45	42	11	2
Library	42	42	13	3
Group II—Desirable Exceeds Essential				
Speakers' bureau	21	60	15	4
Co-operation with foreign accounting societies and international meetings	22	54	21	3
Co-operation with public accountants	26	54	17	3
Annual Institute Report	28	54	16	2
CPA (monthly bulletin)	26	54	19	1
Committees in specialized technical areas	37	51	9	3
Co-operation with universities	39	51	8	2
Group Life Insurance Plan	30	49	18	3
<i>Accounting Trends and Techniques</i>	35	49	14	2
Relations with government agencies	42	49	6	3
<i>Accountants' Index</i>	27	49	18	6
Membership directory	35	49	15	1
Continuing education courses	36	49	12	3
Technical Information Service	41	48	8	3
Management service bulletins	41	47	10	2
Economics of practice bulletins	33	47	17	3
Washington office	34	47	15	4
Long-range objectives studies	45	46	6	3
Program "to bring Institute to membership"	41	46	9	4
Membership promotion	44	46	7	3
Annual meeting	42	45	11	2
Group III—Dispensable Exceeds Essential				
Personnel testing program	12	56	28	4
Seminars on accounting fees	20	54	23	3
Officers, committee directory	18	48	31	3

FROM THE PRESIDENT

LOUIS H. PILIÉ



"... to unite the accounting profession"

It is natural for every new president of the American Institute of CPAs to want to make his own individual contribution to its progress. As I confessed to the annual meeting in Philadelphia, I am no exception.

My major objective this year will be to improve the lot of the largest single group in the Institute: the small and medium-sized practitioners, and their clients. Specifically, I'd like the Institute to increase its efforts to aid these members in further improving their competence and in extending the ranges of their abilities under the newer modes of practice. In advocating this course of action, I am convinced that management services, with emphasis on mechanization and automation, will have as profound an impact upon our profession as did the introduction of the income tax. And in all areas of this expanding frontier of practice, every CPA, recognizing the benefits to be derived from these new tools, can improve the future welfare of everyone he serves: clients, stockholders, creditors, students or citizens.

Consequently, I propose:

- That the Institute accelerate its efforts to persuade small businesses, governmental units and nonprofit organizations, as well as individual citizens, to utilize the services of certified public accountants in all areas of accounting and management advisory services.
- That the Institute amass more information in these newer areas

of practice and convey it with all speed and effectiveness in a "what-to-know and how-to-do" fashion to its members.

- That the Institute's proposed public relations clinics — practical workshops on how local practitioners can further enhance their prestige — get under way with all vigor, as soon as they can be presented without sacrificing adequate preparation.

Local and national firms

In undertaking this expanded program on behalf of local practitioners, I know from experience that I will be aided by the larger local and national firms. This support is a reflection of their loyalty to one of the Institute's essential purposes. That purpose, as set forth in the bylaws, is "to unite the accounting profession." It is obviously of basic importance. If we permit ourselves to be divided, we will lose more than the strength of numbers; we will dissipate our energies in pitiful little quarrels which will justifiably result in public scorn.

Problems of growth

Admittedly, this task grows more difficult as our numbers increase. It is inevitable — indeed, healthy — that we have divergent views, varied interests, different needs. It is natural, too, for us to expect the Institute to be concerned about us. But, in truth, we ought not to expect too much of it. We should not demand that, somehow, it ar-

rest the flood tide of changes in our economy and thus in our professional lives. Nor should we require it, somehow, to discourage the growth of successful firms or apply artificial respiration to firms expiring from some inner weakness. Nor should we urge it to be so zealous in promoting our self-interest that the public gains a false impression of our character, and, losing faith in us as a responsible group, grows indifferent to our legitimate concerns.

I don't mean, of course, that the Institute should be unresponsive to its membership.

But if we disagree with its policies, we should seek a remedy through its policy-making bodies; and if we have a dispute with other members, we should resolve those conflicts — as all such conflicts should be resolved in a democratic society — within the Institute itself.

Finally, we would be well advised to avoid degrading debates about the relative virtues of various kinds of professional practice and, instead, utilize the services of the Institute in improving our own professional performance.

Additional services

There are already many such services. There will be more — including, for example, the new CPA consultation service being organized on a test basis in two states. This consists of a force of experienced practitioners who have volunteered to confer with other practitioners on a wide range of subjects.

Let me close with a heartfelt plea: Lend your aid to those who have been entrusted with the heavy responsibility of governing the affairs of this great organization in the year ahead. No one, because of excessive modesty or for any other reason, should hesitate to contribute his share to the Institute's collective strength. Only in this way can we create a better future for all of us through continuing professional unity.

American Institute Plans Continued Support for Pension Bill

► The Institute plans to continue in the next session of Congress its active support of legislation that would encourage provision for retirement by self-employed persons.

Because a variety of proposals, in addition to the original HR 10, came up in the 86th Congress, the executive committee voted on September 23 to request the Federal taxation committee to re-evaluate this legislation, along with major proposals to amend it. The Institute has been actively supporting such legislation for a decade.

HR 10 passed the House in 1959, and was favorably reported (with substantial changes) by the Senate Finance Committee in 1960, but received no Senate action.

Since the Senate version has provisions which might affect existing corporate plans, strong opposition to the Finance Committee bill may be expected in the next session of Congress.

American Thrift Assembly

The executive committee also considered the Institute's relationship with the American Thrift Assembly, an organization originally formed by a number of major associations interested in such legislation. While recognizing that a formal body was necessary and desirable in earlier efforts for HR 10, it was felt by the executive committee that equally effective results could, at this point, be obtained by informal co-operation with other interested national organizations. Contribution to the Thrift Assembly was, therefore, not authorized for 1960-61.

In a letter expressing gratitude for the American Thrift Assembly's efforts, executive director John L. Carey wrote: "We remain firmly convinced that legislation to encourage the establishment of retirement plans by the self-employed

is a long-overdue and thoroughly justified measure. We will continue to strive for its passage, and will engage in individual and co-operative action designed to promote enactment of sound legislation in this field."

As this issue of *The CPA* goes to press, we learned that both presidential candidates endorsed the basic objectives of such legislation.

Information Being Collected For Spring MAP Bulletin

► The committee on management of an accounting practice (formerly the economics of accounting practice committee) is currently mailing a letter to selected CPA firms requesting them to participate in a survey to collect information for the next bulletin in the Accounting Practice Series, *Financial Reporting Within Accounting Firms*.

The committee would like this information from firms of all sizes. For purposes of the survey, size is

broken down according to number of staff members (including partners) as follows: small firms, 1 — 15; medium-sized, 16 — 35; and large, over 35. Once the list of participating firms is set, each will be sent a questionnaire.

The committee plans to have this bulletin in members' hands by the end of the 1961 tax season. It will include a suggested uniform account classification for CPA firms, to permit financial reporting on the same basis and, therefore, to provide expense comparisons and ratios useful to the profession.

These bulletins will be distributed to all practitioners and firms represented in the membership, and a copy will be sent without charge to any other member upon request.

Institute Witnesses At SEC Hearing

In the current controversy between the Securities and Exchange Commission and the Kentucky Power Co. over an SEC administrative policy regarding balance-sheet treatment of deferred taxes, Kentucky Power, on behalf of itself and its parent, the American Electric Power Co., sought to subpoena a substantial number of Institute documents (JofA, Nov.60, p.16). That subpoena has been quashed, but a petition for a new one has been filed.

William W. Werntz, as former chairman of the committee on accounting procedure, and Carman G. Blough, representing the American Institute of CPAs, have been subpoenaed to testify at the hearings in Washington, D.C. The hearings started October 3, and are still going on.

A little over a year ago, the right of the Institute's committee on accounting procedure to take a position on the subject of deferred taxes was upheld by the United States Court of Appeals (JofA, Aug. 59, p. 7). Kentucky Power Co. now seeks to bring into evidence other material on the committee's action.

Election Information Wanted

The American Institute's new committee on government participation is very much interested in learning about and recording the election of CPAs to Federal, state or local office in the November election just past. For example, let the committee know if any CPA has been elected as a state legislator, mayor, councilman, school-board member, and so forth. (A local news clipping will suffice.) Send to the committee on government participation, American Institute of CPAs, Washington Office, 2000 K Street, NW, Washington, D.C.

► One of the latest articles to appear as part of the Institute's Small Business Program, designed to acquaint the small business executive with the services he can obtain from his local CPA, is Paul Sage's article on "Budgeting Your Way to Profits." Forty-six trade publications — representing that many different trade areas — have accepted the article for publication. Among them are such diversified magazines as *Commercial Refrigeration and Air Conditioning*, *Automatic Machining*, *America's Textile Reporter*, and *Tire, Battery & Accessory News*.

► A dispute between two members of the American Institute, which appeared likely to be litigated, was settled by an arbitration panel appointed by President Seidman in September. The two parties met with a three-man panel for the best part of the day, in entirely informal proceedings. Both members agreed in advance to abide by the panel's decision. The award was made in writing.

► Over 8,100 subscriptions to the first series of bulletins on Management Services by CPAs have been received since the series' inception in June 1959. The latest bulletin of that series, entitled *Office Management in the Small Business*, elicited several inquiries from subscribers about clerical testing, which seems to have attracted special attention from readers.

► "The Auditors Have Arrived" is the title of a current two-part article about public accounting appearing in the November and December issues of *Fortune* magazine. Author T. A. Wise is a well-known financial journalist on the *Fortune* staff. Two of his earlier articles on accounting were "The

Atlas Plywood Case" and "The Looting of the H. L. Green Company." His article on "The Bustling House of Lehman" received the Loeb Special Achievement Plaque in 1958 for "distinguished reporting of business and financial news."



New officers of the State Society Executives Association, elected at their annual meeting September 25, are (l. to r.): president, Russell A. Davis, executive director, Washington state society; vice president, William J. Caldwell, Jr., executive secretary, Kentucky state society; and secretary, Gordon H. Scheer, executive director, Colorado state society.

► The Technical Services Division of the American Institute, under the direction of Richard C. Lytle, CPA, has been reorganized to include seven departments. They are, with their heads: *Accounting Trends*, Ralph Bullick, CPA; *Auditing Procedure*, Richard A. Nest, CPA; *Management of an Accounting Practice*, John J. Bernard, CPA; *Management Services by CPAs*, Robert N. Ettlinger, CPA; *Special Technical Committee Service*, Robert N. Sempier, Jr. (awaiting formal certification); and *Technical Information Service*, Edmund F. Ingalls, LL.B. As previously announced, Gilbert Simonetti, Jr., heads the tax department.

Plans for International Accounting Congress

During the last week of September 1962, New York City will hear discussions by accountants from many lands. From September 23 through 27, the Institute will play host to the Eighth International Congress of Accountants. September 28 and 29 are set aside for the 1962 Inter-American Accounting Conference, to which the Institute will also be host. The Institute itself will be celebrating its Diamond Jubilee during the two-day course of its 75th annual meeting on September 21 and 22.

Planning committee

The planning committee for the International Congress is operating under the chairmanship of Arthur B. Foye. He has also been designated as president of the Congress by the Institute's executive committee. Other officers are: J. Harold Stewart, vice president; Harold Caftyn, treasurer; Thomas D. Flynn, assistant treasurer; John L. Carey, secretary.

Headquarters for the international conclave will be the Waldorf-Astoria Hotel. The dinner for delegates to the Eighth International Congress will be held at the Hotel Pierre, and the ladies' luncheon at the Hotel Astor. Room reservations, not yet open, will be centrally controlled by the planning committee and the New York Convention and Visitors Bureau.

Administrative consultant

Madeleine von Koch has been retained as a consultant to handle the administrative details for the International Congress, working out of the Institute's office in New York. Her last assignment was with the Association of the Bar of the City of New York. Mrs. von Koch was affiliated with the New York Convention and Visitors Bureau for approximately six years.

Two Members Suspended By Decision of Trial Board

► Two members of the Institute were found guilty as charged at the Trial Board meeting on September 26, and were suspended for periods of one and two years.

In the first case, it appeared that the member had prepared a financial statement for a client which he knew was false and misleading, and which he knew would be submitted by the client to a lending agency for the purpose of obtaining a loan. One aspect of the false and misleading nature of the statement was that, at the request of the client, he deliberately overstated the client's gross income in substantial amounts for two of the three years covered by the statement. Although the statement was signed by the client, and not by him or his firm, he was present when the client delivered the statement to the lending agency's representative and said nothing about its falsity. The loan was not granted.

The Trial Board found him guilty of acts discreditable to the profession, and suspended him from membership in the Institute for two years, the maximum period permitted for such suspension.

The charge in the second case was that the member's CPA certificate had been revoked by the state board which issued it, thereby rendering him liable to expulsion or suspension from the Institute. The basis for the revocation of his certificate was that he had been convicted in a Federal court of causing a false and fraudulent income tax return to be filed on behalf of a client. The state board indicated that, in its opinion, the fault in the matter lay with the member's father, who was convicted of the same offense, but who is not a member of the Institute. It appeared that there is a reasonable possibility the state board will reinstate member's certificate.

The Trial Board found him guilty

of the charge (revocation of his certificate by a state board), suspended him from membership in the Institute for one year, and ordered that he be expelled from the Institute upon the expiration of the term of suspension, unless it appears at that time that his certificate as a certified public accountant has been reinstated by the state board.

Ethics Committee Opinion No. 10 Responsibility of Members for Pro Forma Statements and Forecasts

Rule 12 provides that "A member shall not permit his name to be used in conjunction with an estimate of earnings contingent upon future transactions in a manner which may lead to the belief that the member vouches for the accuracy of the forecast."

The ethics committee is well aware that pro forma statements of financial position and results of operations, cost analyses, budgets and other similar special purpose financial data, which set forth anticipated results of future operations, are important tools of management and furnish valuable guides for determining the future conduct of business.

The committee is of the opinion that Rule 12 does not prohibit a member from preparing, or from assisting a client in the preparation of, such statements and analyses. However, when a member associates his name with such statements and analyses, or permits his name to be associated therewith, there shall be the presumption that such data may be used by parties other than the client. In such cases, full disclosure must be made of the source of the information used, or the major assumptions made, in the preparation of the statements and analyses, the character of the work performed by the member, and the degree of responsibility he is taking. Such disclosure should be made on each statement, or in the member's letter or report attached to the statements. The letter or report of the member must also clearly indicate that the member does not vouch for the accuracy of the forecast. It is the opinion of the committee that full and adequate disclosure would put any reader of such statements on notice and restrict the statements to their intended use.

President Pilié Sends Out Funds Appeal Letter

A new appeal for contributions to the accounting research program has been sent out by President Pilié to those firms and individual practitioners who have not yet pledged their support to the program. Every effort has been made to eliminate from this mailing those who have already pledged or contributed.

The letter states, in part, that "pledges for the current year already total more than \$138,000," which, President Pilié points out, "is an impressive figure. . . ." However, he remarked that less than ten per cent of the membership is carrying the major portion of this vital project.

He renewed the invitation to members to contribute, while reminding them that it is not obligatory. Members are invited to pledge \$100 a year for the next five years — or may, if preferred, pay \$500 in a lump sum, or over a shorter period.

President Pilié concluded by saying that "our reputations and our future opportunities will be imperiled if we ever surrender our leadership in determining what is sound accounting. That is the basic purpose of the expanded research. . . . Every practitioner, in his own self-interest, ought to support it."



Wilford R. Young, CPA, (r.) president of Tax Executives Institute, receives his membership certificate from Institute President J. S. Seidman at the annual meeting.

LETTERS

Comments on "Write-Up"

ED. NOTE: Mr. Carey's column in the July-August CPA elicited many comments from our members. Two of their letters are reproduced below.

The central problem in this situation seems to have four parts:

- (1) Smaller businesses don't need full-time bookkeepers.
- (2) Part-time bookkeepers are not readily available, and, generally, are inadequate in quality.
- (3) Small-business management is unequal to training bookkeepers.
- (4) Accountants often tend to view good bookkeeping as a threat to their own client relationships in write-up work.

I have worked out this problem in my own practice by insisting that my smaller clients obtain part-time bookkeepers. I find that I need to relate to the job selection and training process fairly extensively and that turnover is distressingly high. However, I persist in my approach since I can demonstrate that my time is then released for a higher level of relationship, including such things as inventory control, budgeting, cash projections, and other management advisory work. . . .

It seems to me that the Institute should consider organizing a curriculum to train registered bookkeepers. Such training, in a relatively short period, should lead to a certificate, which would be valuable in commanding a respectable hourly rate. In addition, the bookkeeper should be trained to understand the needs of independent accountants. Possibly the prerequisite for registration in the Institute training course might be some years of practical bookkeeping experience.

In connection with electronic data processing machines and their application to small business, I have used a tape-punching adding
(Continued on page 8)

FROM THE EXECUTIVE DIRECTOR

JOHN L. CAREY



Write-Up Work and Professional Prestige

How can a CPA carry the prestige of his title and professional qualifications into the area of write-up work, where he is competing with noncertified accountants, public bookkeepers, bookkeeping service companies, and some data processing service centers?

This question has been raised in various forms in letters from many Institute members.

First, as President Pilié said in his acceptance speech at Philadelphia, the answer is not for CPAs to abandon write-up work as unworthy of them. It is a useful service. It is often the first service needed by a new client. It can be organized, particularly now that data processing equipment is available, so that the work can be done economically without consuming too much of the CPA's time.

Second, the answer is not to try to legislate everyone but CPAs out of the field. The law, as expounded by the courts, indicates that any such effort would be hopeless. Even if it were legally possible for CPAs to monopolize this type of work, there is serious question whether the public would stand for it.

A sound answer to the question, it seems to me, is suggested by Milton Bogen in a letter in this issue (see opposite column). He says that by insisting that clients retain part-time bookkeepers, whom he may help to select and train, the CPA can spend the released time in a higher level of operations, such as inventory control, budgeting, cash projections and other management advisory work.

In other words, if a CPA organizes his write-up engagements so that most of the work can be done by others — his own staff or client's employees — and then devotes his own efforts to services which increase the *profitability* of the client's business, he won't have to worry about nonprofessional competition. His superior education and training will show in the management-service area. But if all a CPA does is write-up work, no matter how good an accountant he is, there may be good bookkeepers who can do it just as well as he can — and may be willing to do it cheaper.

Approaching write-up work as a steppingstone to professional services requiring greater skills — auditing, tax planning, management services — may help solve a problem that seems to be troubling many practitioners. This approach seems particularly advisable when mechanization of write-up work is proceeding apace.

To sum up, write-up work is legitimate for a CPA if it is properly organized and isn't all he tries to do; but if he does nothing else, and does all the work himself, can he escape nonprofessional competition or maintain his own professional prestige?

machine for entering the data in the general ledger and producing financial reports. The results have been interesting, having both advantages and disadvantages. I feel at present that limited application of such a machine has possibilities for small business but that more experience is needed to fully determine its practicability.

MILTON BOGEN
New York, N. Y.

Where the practitioner relies too heavily on income from write-up work, the danger of being too busy for professional growth and standing may be avoided by having data processing machines do the bulk of his work. This has the double advantage of time saving and also gives the practitioner a knowledge of machine accounting for use in developing a management advisory service for larger clients.

In the case of the younger CPA seeking to establish himself, the advent of machine write-ups gives him the opportunity of developing a strong knowledge of machine application to record-keeping, tending to make him a specialist. He also has a means of supplementing his income by offering per-diem service to established CPA firms who are too small to employ full-time specialists.

The relationship of the CPA with the tabulating service need not involve a question of ethics where the accountant himself is a client of the service center . . . provided

there is no violation of Rules 3 and 16. . . .

SIGMUND BAHR
New York, N. Y.

Handling displacement

ED. NOTE: *The following letter is a comment on past President Seidman's column on displacement, in the July-August CPA.*

Recently one of our clients wanted to register with the SEC and issue stock to the public. The client wanted us to continue on the registration statement because we have been doing their work since 1946.

The underwriter wanted a national firm to work on the prospectus and to certify the statements that would appear therein. Our client told the underwriter to check on our firm with any of the national firms and see what type of reputation we had. The underwriter called me a week later, saying he could not understand how a local firm could be so well known. I explained the work I have been doing with the American Institute. He told me that he had no hesitancy about having us appear in the prospectus. He did, however, specify one condition, which he felt would be necessary not only for his firm but for other firms of underwriters involved. He wanted a national firm to look over our shoulder, review the work papers, and see whether or not we in fact are an independent firm.

The national firm selected has worked with us as a consultant. They bill us for their time, advice, and counsel, and we bill the client. However, our name appears on the certificate.

I feel that if more practitioners, in their local areas, were to work for the profession doing such things as giving talks, writing articles, and participating in local affairs, their reputations would be enhanced. The larger banks, writing to the local banks for reference, would get a fine recommendation.

I feel the Institute has given me much, much more than I have contributed. I agree with Mr. Seidman's column, but I believe it could have been made stronger in that the CPA *must* participate in both local and national affairs to receive recognition when the time comes for his work to be judged.

BERNARD B. ISAACSON
Wilmington, Del.

Aid from Institute materials

Prior to becoming president of the Connecticut Society, I wrote to the Institute's State Society Department and received a wealth of material which was most helpful to me in analyzing the various functions of our Society.

I have appointed a committee whose major duty will be to read Institute publications, and sift them for recommendations to the various committees of our society. The Institute offers a tremendous amount of information and guidance to state societies, and by distributing it in this way, members will be kept up to date on state society management problems.

This committee will eventually be used to promote membership in the American Institute. If all societies assisted in recruiting members for the Institute, the idea of compulsory membership in the state and national organizations could soon be attained.

The AICPA has much to offer its members. CPAs who are not members should be informed of the benefits of Institute membership,

A Day in the Life of a CPA...

If your local school or service group has not already shown and seen the Institute's career film, "CPA," arrangements for obtaining a print of this 29-minute, free-loan, 16mm. film may be made through the regional offices of Association Films. For distribution information and availability, write the Association Films office nearest you. Addresses are: Ridgefield, New Jersey, Broad at Elm; La

Grange, Illinois, 561 Hillgrove Avenue; San Francisco, California, 799 Stevenson Street; and Dallas, Texas, 1108 Jackson Street.

Figures compiled through the middle of October indicated that "CPA" had been shown about 2,700 times to live audiences totaling over 100,000, and about four million people have seen it on 79 telecasts.

and state societies should direct more of their efforts toward this end.

HENRY L. STERN, President
Connecticut Society of CPAs

Endorses Seidman stand

May I say that I heartily endorse past President Seidman's article in the September 1960 *CPA* which makes the point that we CPAs are adding to the confusion about the CPA title as a result of failure to keep the CPA laws in harmony with the economic facts of life. In my opinion, we have also failed to keep up to date in our professional organizations. For example, I think it was a dereliction of duty not to arrange at Philadelphia for amendment of Rule 13 of the Code of Ethics as recommended by our ethics committee and Council.

Mr. Seidman, referring to the right to practice, states, "This is not a big firm versus local practitioner problem." He is absolutely right, and I would also observe that there are no big-firm-versus-local-practitioner problems other than the imaginary ones which seem perennial.

Let's get realistic and up to date in our CPA laws and Code of Ethics! This would be good for the public and all CPAs.

J. WOODROW MATHEWS
Pittsburgh, Pa.

Eliminate *The CPA*?

As a means of economy, why not eliminate *The CPA*? This bulletin involves mailing costs and extra setup work for the printer. The information it contains should be included in *THE JOURNAL OF ACCOUNTANCY*. It is probably published separately due to timing problems and of interest principally to members while *THE JOURNAL* also goes to nonmembers, but are these arguments valid?

AUBREY DEAN WENTWORTH
Tallahassee, Fla.

ED. NOTE: This suggestion occurs frequently. On the face of it, a

"merger" of *The CPA* with *THE JOURNAL* seems to be desirable. But on analysis the reverse appears more likely.

THE JOURNAL derives substantial revenues from more than 50,000 nonmember subscribers and from advertisers who want to reach them. This is possible because *THE JOURNAL* is accepted as the leading technical publication in the accounting field. Aside from financial considerations, the wide circulation among nonmembers has great public relations value to the Institute.

If technical content were reduced to make room for news of Institute doings, *THE JOURNAL* would be that much less attractive to outsiders. If it were identified as a "house organ" of the Institute, it would have less appeal to nonmembers and advertisers.

If the content of *The CPA* were added to *THE JOURNAL*, it would cost more, not less, than the present arrangement, since paper and mailing costs for 90,000 copies, instead of 38,000, would be incurred.

But more important, *The CPA* is promptly read, no doubt because it can be read quickly: it has, in the language of the advertising world, a high visibility. The Institute needs this means of rapid communication with its 38,000 members. If all news of Institute activities and policies were confined to *THE JOURNAL*, members would be less well informed—therefore less interested, and perhaps less inclined to continue membership.

Again, it is possible to talk with members more intimately in *The CPA* than it would be with 50,000 "strangers" listening in. *The CPA* goes only to members: it is not for sale; it is in the family.

Some modest savings might be achieved if *The CPA* became an insert in the copies of *THE JOURNAL* sent to members, but its effectiveness would be seriously impaired. *The CPA* is not a luxury. It is a necessity in an organization of the Institute's size. It has a function to perform entirely different from that of *THE JOURNAL*.

MEMBERS IN THE NEWS

MAX BLOCK, Mt. Vernon, New York, is the new managing editor of the *New York Certified*



Mr. Block

Public Accountant, succeeding Benjamin Newman. Mr. Block has edited the practitioners department in the magazine for several years, and is director of technical services of the New York society. He is a partner of Anchin, Block and Anchin, New York City.

C. R. JAUCHEM has been appointed deputy director of financial management for mutual security in the State Department. He was previously a staff member for the House of Representatives' Committee on Post Office and Civil Service, and had been in the Corporation Audits Division of the General Accounting Office.

DONALD ERICKSON, a partner in the Chicago office of Arthur Andersen & Co., has been named general chairman of the 1961 Chicago Heart Fund campaign.

BETH M. THOMPSON of Miami, Florida, was elected president of the Estate Planning Council of Southeast Florida on October 19.



Miss Thompson is the first woman CPA so honored. This particular council is composed of attorneys, CPAs, life underwriters and trust officers, with a membership of 175. In their system of officer rotation, a CPA is president every fourth year.

JOHN C. LITTLE was appointed secretary-treasurer of the National Publishing Company, Washington,

D.C. He was formerly a partner in Stoy, Malone & Co., CPAs, also of Washington.

Mrs. PEARL A. SCHERER was elected president of the Alaska Society of CPAs at its annual meeting, and assumed her official duties on September 1. A partner in Hagelbarger & Co., CPAs, in Fairbanks, Mrs. Scherer is the first woman to become president of a state society and, as such, a member of Council. She was also the first woman to pass the CPA examination in Alaska.



Mrs. Scherer

THOMAS G. HIGGINS, of Arthur Young and Company, and past president of the New York State Society of CPAs, has accepted the Chairmanship of the Accountants Division of the National Fund for Medical Education.

JAMES DON EDWARDS, head of the department of accounting and financial administration at Michigan State University, has written a book called *History of Public Accounting*, published November 1 by the University's Bureau of Business and Economic Research. The volume includes an introduction by John L. Carey, executive director of the Institute.

EDWIN A. PARADOSKI, a partner of Paradoski, Vogt & Co., St. Louis, Mo., was elected a member of the board of directors of the Academy of Science of St. Louis. Mr. Paradoski will also serve as the Academy's treasurer.

WILLIAM T. HAZELTON, a partner in Price Waterhouse & Co.'s New York office, has been appointed chairman of the Accountants' Division of the New York Arthritis and Rheumatism Foundation.

OBITUARIES

(Membership date in parentheses)

MARK A. ABBOTT ('57), 42, Seymour, Schneidman & Associates, New York, N.Y.

ALWIN ADAM ('45), 58, Arthur Young & Company, Houston, Tex.

FRANK A. BOLAND ('44), 68, Keller, Kirschner, Martin, & Clinger, Columbus, Ohio.

WILLIAM J. BROWN ('26), 58, own account, Atlanta, Ga.

JACOB G. CALVERT ('26), 65, Morgan Guaranty Trust Co., New York, N.Y.

GLENN I. CLOVER ('47), 55, Glenn I. Clover & Co., Arcadia, Calif.

ALBERT C. DYKEMA ('44), 54, A. C. Dykema & Co., Grand Rapids, Mich.

WILLIAM P. EDMONDSON ('27), 63, Edmondson, LedBetter & Ballard, Norfolk, Va.

JACOB ELLMAN ('57), 64, Ellman & Meyers, New York, N.Y.

DAVID K. HARBINSON ('34), 66, Scovell, Wellington & Co., Chicago, Ill.

J. H. HARDY ('36), 60, J. H. Hardy & Associates, Chattanooga, Tenn.

DAVID L. JOHNSON ('35), 67, own account, Kansas City, Mo.

SIDNEY KANNER ('43), 53, own account, Baltimore, Md.

WILLIAM E. KEEN ('44), 79, Keen and Lynch, West Palm Beach, Fla.

WALTER J. LAND ('44), 59, own account, New York, N. Y.

RICHARD H. MACCRACKEN ('47), 49, Willis & MacCracken, Los Angeles, Calif.

WILLIAM J. McFAUL ('43), 58, own account, Brooklyn, N. Y.

BURTON B. MASON ('37), 70, Burton B. Mason Associates, Columbus, Ohio.

KENNETH L. MITCHELL ('58), 36, Werden Audit Co., Detroit, Mich.

EUGENE F. MOORE ('37), 66, Bardin, Moore, Dohn & Henry, Atlanta, Ga.

NORMAN NOSOFF ('58), 35, Marks and Grey, Brooklyn, N. Y.

WILLIAM PESMEN ('45), 58, William Pesmen & Company, Kansas City, Mo.

GEORGE W. PETERSON ('36), 69, George W. Peterson & Co., Chicago, Ill.

CHARLES J. ROBERTSON ('53), 50, own account, Detroit, Mich.

NATHAN WILLIAM SIMON ('39), 58, Checkers, Simon & Rosner, Chicago, Ill.

GEORGE W. SMITH ('50), 55, George W. Smith & Co., Detroit, Mich.

CLIFFORD E. STRAND ('29), 40, Illinois Agricultural Accounting Association, Chicago, Ill.

ARTHUR F. TRUMP ('55), 50, S. D. Leidesdorf & Co., New York, N. Y.

EDWARD J. WALSH, SR. ('52), 59, Walsh & Walsh, Galveston, Tex.

VERNON F. WATERMAN ('54), 33, Marathon Division of American Can Co., Measha, Wisc.

LAYERN C. WATROD ('53), 42, Rodolph, Zamsky & Co., Medford, Ore.

JOHN G. WATSON ('47), 55, Peat, Marwick, Mitchell & Co., New York, N. Y.

HENRY J. WINTERS, JR. ('42), 50, own account, Metairie, La.

New "Accounting Trends"

The fourteenth (1960) edition of "Accounting Trends and Techniques," the Institute's annual survey of accounting practices in corporate annual reports, is now available from the Institute at \$18 a copy.

The current edition follows closely the format of its predecessors, although several new topics have been introduced. These include noncurrent receivables, associated (or 50 per cent jointly owned) companies, a tabulation showing the recent trend regarding notes to financial statements, etc. The book also contains an improved and expanded subject index of eight pages.

AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS

Officers and Council 1960-1961

In place of the expensive separate pamphlet containing the list of Institute officers and committee members which has been published and sent to all members in previous years, these lists are now being published in installments in The CPA. In a membership survey conducted a few months ago, well over half of those who responded considered publication of these lists desirable, but only a relatively small percentage considered them essential. The executive committee therefore concluded that the purpose would be adequately served by publishing the names of officers, Council members and committeemen in The CPA, with a resultant saving of several thousand dollars. For the same reason, street addresses, and the names of over four hundred members of the membership committee, are being omitted.

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CPA

THE CERTIFIED PUBLIC ACCOUNTANT

*membership bulletin of
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CPA

**Legislation committee
authorizes change
in Form Bill (p. 3)**

**Tax committee chairman
testifies at
IRS hearing (p. 4)**

**New Institute display for
guidance counselors (p. 4)**

**Relationships between
bankers and CPAs (p. 7)**

December 1960

An Investment in Personnel

NINETY-SEVEN per cent of 260 participants in the American Institute's first staff training program reported satisfaction with the course, and less than one per cent indicated serious dissatisfaction. These figures came from respondents to a detailed questionnaire sent to young men and women from 254 accounting firms who took the course in August.

Accountants from 42 states, Japan and Mexico signed up for the course, prepared and conducted by the Institute's Division of Professional Development, at five different locations: the University of California, Santa Barbara; University of Georgia, Athens; Purdue University, Lafayette, Indiana; Syracuse University, New York; and the University of Texas, Austin.

The staff training program was designed to provide a prac-



Knowledge acquired from staff training program is tested by special examination given at end of course. Concentrating hard on exam papers (l. to r.) are Raymond Griffin, Portland, Oregon; Donald Borthwick, San Francisco; Arthur Novotny (hand over face), San Jose, California; and Kenneth Edward, Santa Cruz, California. All photographs illustrating this article taken at University of California, Santa Barbara, course.

PLEASE
NOT MU



Students are familiarized with printing calculators. Shown operating machines are (back to front): Gerald E. Rice, Denver, Colo.; Alfred D. Janzen, Fresno, Cal.; Miss Miyoko Tomita, Marysville, Cal.; and Raymond Griffin, Portland, Ore.

tical type of training course for junior members of smaller accounting firms that cannot usually provide such training themselves. In addition to an announcement from the Institute, the firms received letters from many state society presidents, who endorsed the program and recommended that the firms enroll their most promising younger members in it.

The course itself

The intensive ten-day course consists mainly of lectures, problem-solving sessions, discussion groups, and independent study and reading. The teaching staff is made up of experienced CPAs in public practice who have also had some teaching background.

The major subjects covered are the CPA and his profession, proper workpaper preparation, income tax preparation (individual and corporate), the legal responsibility of an accountant, nonopinion examinations, rules of professional conduct for junior staff accountants, and the rudiments of public speaking. In the field of ethics, it is made clear that while the junior may not operate in every area where all of the rules apply, the program was based upon the premise that he should be made aware, early in his career, of the rules by

which he is expected to conduct his life as an accountant.

Particular attention is given to auditing, specifically those auditing procedures assigned to junior accountants, with the essential relationship between auditing procedures and internal control emphasized. The auditing courses are intended to provide the student with a basic understanding of *why* the various auditing procedures are applied, rather than stressing their mechanics.

The public-speaking sessions were considered so valuable by participants that they will receive even greater emphasis in future presentations.

Typical course questions might include these:

- What are the elements of good working papers?
- How much should you actually audit in a nonopinion exam?
- How can you test-count coils of wire of different weights when they are haphazardly stacked?
- How do you assure maximum control in preparation and mailing of accounts receivable confirmation requests?
- What information must be developed from the client's records for inclusion with corporate tax returns?

The Institute has developed and

provided all study materials and arranged for classroom and living accommodations at the various universities. The fee, paid by the participant's firm, is \$275 per person, and covers the cost of all materials, plus room and board for the duration of the course. Sites were selected outside the most populous urban areas, primarily because the intensiveness of the course requires a great deal of evening study.

Evaluating the program

As indicated by questionnaire returns, the course was satisfactory to the majority of registrants. The seven who were dissatisfied had apparently had too much public accounting experience for the level of the course. The staff training program was specifically intended for members with approximately one year's experience. An analysis of the 1960 registrants by years of experience reveals the following: less than one year, 133; one to three years, 140; over three years, 53.

Participants were also asked to evaluate each session and its contribution to their accounting knowledge. The majority rated each session as having enhanced their skills moderately or considerably. Where feasible, participants' recommendations will be incorporated in fu-

COMMENTS FROM STUDENTS

"Thank you AICPA for making the program possible. . . . I spent the time for the course in lieu of a vacation and would do the same next year."

"No matter how familiar I was with the subject or how new the topics, I felt as though each topic listed gave me immeasurably new [thinking] or revitalized my thinking on old matters."

"I think the course was basically a wonderful chance for someone like me to see how the textbook knowledge is actually applied in practice."

"I believe more valuable experience could be gained [from the prob-

lem session] if the work could be so arranged that almost all students could be exposed to more parts of the problem, in exchange for less time on the individual parts."

"Occasionally we were bogged down in detail. In some cases more time was allotted to specific problems than was necessary. Some parts were too basic for a man with any experience."

"In the problems, we were asked to find the errors, but in some instances the problems did not follow through as to how the errors should be corrected, what adjustments should be made."



Instructor Edward A. Kelly (l.), CPA, San Francisco, makes point to intent listeners during postlecture discussion. Listening (l. to r.) are: Gordon Sprague, Las Vegas, Nev.; Raymond Griffin; Carol Mockel, Fresno, Cal.; and Dean A. Griffith, Ventura, Cal.

ture programs. A cross-section of pro and con comments on page 2 gives a more detailed indication of opinions.

Future program

Present plans indicate that the staff training program will be given at six different locations in the summer of 1961. Dates will be announced far enough in advance to enable registrants' firms to schedule their work accordingly.

The future shape of the program has been molded by the experience derived from the first series of courses. Course content, emphasis and approach have been modified by the suggestions and criticisms of both participants and instructors, and changes will continue to be made as the exigencies of a particular situation demand. For example, evening hours will be utilized for actual work sessions, instead of chiefly for independent study.

The objective of the staff training program can be described in the words used by President Pilié in his inaugural address in Philadelphia: "To improve the lot of the largest single group in the Institute: the small and medium-sized practitioners, and their clients. Specifically . . . to aid these members in further improving their competence and extending the ranges of their abilities under the newer modes of practice."

State Legislation Committee Recommends Interstate Recognition of CPA Exam Credits

THE committee on state legislation, meeting November 18 in St. Louis, approved a change in the "model bill" and considered a number of problems on which action may be taken at a later date. Among other things, the committee indicated its belief that it would be better for a state CPA society to retain an existing permissive law than to agree to the enactment of a regulatory bill that provided for the continuing registration of public accountants by passing parts of the Uniform CPA Examination.

One amendment to the text of the Form of Regulatory Public Accountancy Bill was approved, providing for the transfer of partial credits on the CPA examination when a candidate moves from one state to another.

The commentary by the committee on education and experience requirements of the Form Bill was revised to:

- Point out that the Institute favors the curriculum recommended by the American Accounting

Association Standards Rating Committee (Council meeting, Apr. 59)

- Note the desirability of graduate study as soon as it is feasible
- Reflect the committee's view that there should be a qualitative measure of the experience of CPA candidates

The committee reaffirmed the 1955 policy of Council on the subject of PA registration. This policy opposed legislation that would accomplish any of the following:

1. Grant waiver CPA certificates
2. Provide for an indefinite period for the registration of PAs
3. Reopen registration of PAs after it has once been closed
4. Provide for the licensing of PAs by any examination other than the Uniform CPA Examination

The committee also discussed, without reaching definite conclusions, the question of interstate practice, including the use of the CPA title by firms; the granting of certificates to out-of-state CPAs; and temporary practice and reciprocity.



Present at the committee on state legislation meeting at the Park Plaza Hotel in St. Louis were (l. to r., seated): Frank A. Gunnip, Wilmington, Del.; Walter C. Witthoff, Fremont, Neb.; Ben W. Brannon, Atlanta, Ga.; John C. Martin, Columbus, Ohio; Alphonse M. Hart, East Orange, N. J.; J. Ira Young, Decatur, Ill.; Basil M. Lee, Baton Rouge, La.; Chris H. King, Birmingham, Ala.; John B. O'Hara, Philadelphia, Pa. Standing (l. to r.) are: Kenneth S. Reames, Detroit, Mich.; William O. Doherty, American Institute; H. Talcott Stith, Jr., Columbia, S. C.; Chairman Rudolph E. Lindquist, San Francisco, Cal.; Edward F. Chirhart, Temple, Texas; and Clyde W. Gaymon, Cheyenne, Wyo.

Tax Committee Chairman Testifies at Hearings on Revenue Code Section 6038

ON November 17, Leslie Mills, chairman of the committee on federal taxation, testified at a public hearing in Washington, D.C., on proposed regulations under Section 6038 of the 1954 Internal Revenue Code. The regulations would affect domestic corporations with foreign interests and operations.

Mr. Mills, speaking for the committee, said: "... We are able to say unequivocally that the burden which would be imposed upon these taxpayers by the proposed regulations will in large degree be so intolerable that compliance will be next to impossible, extremely expensive, and, with respect to those representing the major U. S. interests abroad, of no real use to the Internal Revenue Service in enforcing the income tax statutes. . . ."

Commenting on proposed penalties for noncompliance [Section 1.6038-1(h)], he said, "Since it is understood that some foreign jurisdictions may not permit the development of information required by the proposed regulations, it should be made clear that failure to file such . . . will not result in a penalty.

On November 30, IRS released, in final form, the regulations under

Section 6038 of the Revenue Code. The regulations gave effect to the principal recommendations of the Institute's committee on federal taxation.

Committees Named for 1962 International Meetings

► Three committees have been appointed to plan the international meetings which will be held jointly with the Institute's diamond anniversary meeting in 1962.

Members named to the planning committee for the Eighth International Congress of Accountants are: Arthur B. Foye, chairman, New York; R. Kirk Batzer, New York; John J. Deering, New York; Louis M. Kessler, Dallas; and Alden C. Smith, New York. Mr. Foye's selection as president of the Congress has already been announced.

The following members have been appointed to the Inter-American Accounting Conference planning committee: Louis M. Kessler, chairman, Dallas; T. S. Mauldin, Albany, Ga.; Maurice E. Peloubet, New York; Theodore L. Wilkinson, New York; J. Harry Williams, New

York; and William C. Ings, New York.

The entertainment committee for the International Congress consists of co-chairmen Mrs. Alvin R. Jennings of New Jersey, and Gordon M. Hill, New York, and John J. Deering, liaison with the planning committee.



Institute President Louis H. Pilié receives city's Certificate of Merit from New Orleans' Mayor de Lesseps Morrison "for outstanding service . . ."

Special Mailing of JOURNAL Editorial Reprint

► Reprints of the September JOURNAL editorial, "Independent Audits and Government Examinations," were sent to 368 people in various positions in the federal government, with a covering letter asking for their opinion from Lyman Bryan of the Institute's Washington office. To date 106 comments have been received, many of them in considerable detail. Selected replies will appear in THE JOURNAL.

Mr. Bryan reports that most of the comment was "overwhelmingly favorable." One Congressman suggested that "the editorial ought to be inserted in *The (Congressional) Record*."

The mailing went to specific people in the various government departments, or particular bureaus within them, to special government agencies, regulatory agencies, and to selected Congressmen and Senators on specific committees involved with finance and taxes.

Institute Offers New Display for Guidance Counselors

The Institute recently completed design of a large, colorful, five-panel display, complete with its own shipping case, aimed particularly at those attending career and guidance counseling meetings.

State CPA societies may arrange for the display space and then alert the Institute as to date and place. The crimson display will then be shipped to the proper location. Several members of the state society ordering the display should be present to man it and answer questions about the accounting profession by guidance counselors or students.

In making up the display, the Institute has utilized information



from the U.S. Department of Labor, which predicts a continued need for CPAs during the nineteen sixties. One of the panels contains material describing use of the Institute's testing program. The rest is devoted to Institute pamphlets and booklets and a description of the career film, *The CPA*.

IRS Issues Rules on Kintner Type Groups

The December JOURNAL OF ACCOUNTANCY reported that the Internal Revenue Service had temporarily suspended issuance of approvals or disapprovals of pension plans submitted by the Kintner type of professional association.

After that issue went to press, the Treasury issued final regulations specifying when such organizations as doctors' clinics and realty syndicates are taxable as corporations or partnerships. Members of associations taxed as corporations may derive the benefits that are now available to corporate employees — such as pension plans, stock bonus plans and other fringe benefits. *Partners are barred from such plans.* These regulations will be reported later in THE JOURNAL.

A Reminder . . .

The second installment of the listing of Institute officers, Council and committee members appears in this issue, beginning on page 9. Publication in *The CPA* instead of in a separate directory was decided upon by the executive committee as an economy measure.

November contained a listing of Council members. This month lists members of boards and committees outside the regular committee structure, as well as the members of senior committees.



At American Institute Night during November meeting of New Jersey State Society, Robert C. Perina, president, stops for chat with Institute president Louis H. Pilié (center), and John L. Carey, Institute executive director.

Amendment of Ethics Rule 13 to be Reconsidered at Next Annual Meeting

THE subject of independence will be on the agenda of the next annual meeting of the Institute.

The executive committee, meeting in New York City on November 28-29, voted to call for action on an amendment to Rule 13 at the annual business session in Chicago next fall.

The meeting in Philadelphia voted, 447 to 367, to postpone action on a new rule proposed by the ethics committee.

In agreeing to request a new vote on the issue, the executive committee also asked the ethics committee to submit a report on whether or not it intended to recommend any modifications in the proposal which was submitted to the Philadelphia meeting.

Other actions of the executive committee:

- Voted to recommend to the Council at its spring meeting that the present bylaw prohibition against the election of nonpracticing members to the Council be eliminated. If approved, the change would also be presented to the annual meeting in Chicago.

- Authorized a subcommittee and the executive director to seek a new office for the Institute in view of the expected growth of the staff, due largely to addition or expansion of such programs as continuing education and accounting research.

- Approved development of plans for a series of "handbooks" covering such areas as the management of an accounting practice, management services, and auditing. Existing Institute publications in these fields would be reviewed, revised and republished in a standard form to fit the binders, supplemented by other material published in THE JOURNAL and elsewhere. The binders would be divided by

subject tabs, and full indexes would be provided. The objective of the new publishing venture would be to make a growing body of accounting literature available in a more readily accessible form. Before the project is actually undertaken, a prospectus of the first handbook will be sent to members to determine whether there is sufficient demand for such material to justify its production.

- Received a report that five-year pledges in support of the new accounting research program totaled \$813,906 as of the end of October. Contributions are continuing to arrive.

- Agreed that the Institute would assume responsibility for a major study on financial accounting and reporting for voluntary health and welfare agencies if requested to do so by the Rockefeller Foundation. The Foundation has indicated some interest in financing such a study, estimated to cost \$150,000 - \$200,000.

- Approved a proposal to amend the bylaws to permit the Council to send amendments of the bylaws to the membership for a mail ballot without, as presently required, a favorable two-thirds vote by members in attendance at the annual meeting. However, under the proposal, such amendments could be submitted to a mail ballot only after a discussion of them had occurred at an annual meeting. Action by Council on this proposed change in the procedures for handling amendments will not be requested until the spring of 1962.

The next meeting of the executive committee will be held in New Orleans in February, and will include a meeting with the New Orleans chapter of the Louisiana Society. Similar meetings will be held later both in San Francisco and in Minneapolis.

► The leaflet, "The Certified Public Accountant," described by Mr. Carey in his column in this issue, is available from the Institute for a penny each, or in large numbers at the usual quantity discounts (see cut below). These are: 10 to 49 of any one publication, 10 per cent off list; 50 to 99 copies, 20 per cent; and 100 or more copies, 30 per cent off.

In addition to receiving the leaflet, bankers were told that they could obtain copies of the membership directory on request. There have been 668 requests for 1,162 of these. The seeming discrepancy in figures is due to inclusion of requests for bank branches and bank officials other than the president.

The Certified Public Accountant

ONLY THOSE who qualify under state law are permitted to call themselves "Certified Public Accountant" or "CPA". To qualify, applicants must meet prescribed standards of education and experience and pass the Uniform CPA Examination. This is a two-and-a-half-day written examination. Questions and problems are identical throughout the country and are uniformly graded.

In recent years 92 per cent of all successful candidates have had college degrees.

The CPA certificate can be revoked for cause. Codes of ethics are prescribed by the professional organizations — the state CPA societies and the American Institute of CPAs. They cooperate closely, and their ethical codes are similar. A copy of the Institute's rules of conduct is available on request.

Independent audits are an important function of the CPA. When an Institute member performs an audit, he is required to adhere to specified auditing standards. He may not allow his name to be associated with financial statements without making clear the extent of his responsibility.

Further information about the accounting profession may be obtained from the American Institute of Certified Public Accountants, 270 Madison Avenue, New York 16, New York.

► Perry Mason, associate director of the Institute's Accounting Research Division, was honored with the Alpha Kappa Psi Accounting Award on October 28. The award's purpose is to focus national recognition on an individual who has contributed distinguished service to the accounting profession each year. The award is accompanied by a certificate and \$100 in cash.

► Because of the increased workload in the areas of state legislation and professional ethics, the Institute found it necessary to create a new position to encompass these responsibilities. William O. Doherty, formerly director of state society department, was appointed director of this new department. Roderic A. Parnell, formerly assistant director of the state society department, is now its director.

► The first AICPA professional development program held outside territorial United States was presented by the Institute of Chartered Accountants of British Columbia on November 10. The Accountants' Fees seminar was arranged for through the American Institute's Professional Development Division, which supplied the Institute's Canadian colleagues with all the necessary materials.

► A promotional brochure describing all existing professional development courses and those to be available next spring was sent to the entire membership the last week in November, as well as to 2,000 nonmembers. Results of the survey, included in the brochure mailing, will be reported in a future issue of *The CPA*.

► Ninety-seven participants attended the Building an Accounting Practice clinic, held in Stillwater, Oklahoma, on October 23-25, and

157 people took part in the one presented in East Lansing, Michigan, from October 30-November 1. Both were run by the American Institute's Professional Development Division.

► The committee on auditing procedure of the American Institute is studying the latter's present program of publishing auditing case studies in order to determine future policies regarding their form and subject. To find out whether the present policies should be continued or modified, questionnaires have been sent to presidents of state societies and chapters and to chairmen of state and chapter committees on auditing procedure.

► The Institute's booklet, *Generally Accepted Accounting Principles for Contractors*, has been enjoying wide dissemination in the contracting industry. It is currently being reprinted in four parts in *The Construction Advisor* of Jefferson City, Missouri, and was previously reprinted in *Contractors and Engineers and Construction Methods and Equipment*.

► As president of the Institute, Mr. Seidman toured the United States, making speeches to many and varied audiences, among them



At November 4 meeting of Accounting Principles Board in NYC, Frederic G. Donner (right), chairman of board and chief executive officer, General Motors, was luncheon guest. He is seen conferring above with Accounting Principles Board chairman, Weldon Powell (center), New York, and Dr. Maurice Moonitz, director of Accounting Research.

one to the Commonwealth Club of California in San Francisco last August. Stuart R. Ward, that club's executive secretary, expressed the membership's appreciation, in part, by saying: "... After thirty-six years in this overstuffed armchair I should be pretty well casehardened to speakers, but I have to admit you made such a dent that I shall long gauge speakers by how well they measure up to your standard of performance. Our members' comments are all enthusiastic. The talk was in every way well organized, courageous, cram-jammed with information, spiced with humor. . . ."

► More than 2,000 copies of the 1960 edition of *Accounting Trends and Techniques* were sold during the first month after publication. The book is available from the Institute at \$18 a copy.

► After urging by the Institute's committee on federal taxation, the Internal Revenue Service has clarified its position with respect to extensions for the benefit of tax practitioners. Announcement 60-90, contained in IR Bulletin No. 1960-45 of November 16, describes the circumstances under which requests for extensions of time for filing individual income tax returns may or may not be granted when the reason for such requests is the workload of the preparer.

To all my friends in the Institute, I take this opportunity to wish a Merry Christmas and Happy New Year. My warmest thanks go to those who have sent me greetings. I look forward to working closely with many of you in our common cause in 1961.

JOHN L. CAREY

FROM THE EXECUTIVE DIRECTOR

JOHN L. CAREY



Relationship Between Bankers and CPAs

BANKERS, next to clients, may be the most important group of "consumers" of professional accounting services.

It is natural that relations with bankers are high on the agenda of the Institute and the state societies. For nearly forty years the Institute and the larger state societies have had close working relations with the Robert Morris Associates, national organization of bank loan and credit officers. The RMA, however, does not include the smaller banks, and in many cities it has no chapters. In such places state societies often work with the state bankers associations.

Bankers generally are more interested in CPA standards and activities than many CPAs realize. For example, in the October 1960 issue of *Banking* (publication of the American Bankers Association) there is an article by Arthur L. Nash, prepared in cooperation with the Institute, on "The Way to Better Loan Agreement Audits." Mr. Nash points out the meaning of the CPA designation, and the importance of providing that audits be conducted in accordance with generally accepted auditing standards.

In October, the Institute sent a letter to all the 15,000 commercial banks in the United States, enclosing a leaflet entitled "The Certified Public Accountant," which briefly explained the significance of the CPA title. The letter offered a copy of the Institute membership directory, and suggested that state society membership lists were also available. The response was gratifying. Many bankers wrote personal letters expressing their admiration for the CPA profession. A few expressed friendly criticism. One regretted that so many CPAs were willing to furnish financial statements "without audit" — which he felt made them virtually worthless.

Other bankers would like the CPAs to be more aggressive in offering aid to their clients on budgeting, cost, tax and similar problems. The Institute has prepared a pamphlet, with the approval of a Robert Morris Associates committee, on how the CPA can contribute to profitability, which will be offered to banks for distribution to customers.

A recent survey by the Institute indicated that 73 per cent of bank loan officers queried regularly request an independent audit before granting a loan. Many of these bankers, however, would like more information than they are getting, and would like more frequent personal contact with CPAs.

The moral of all this, it seems to me, is that, individually and through their societies, CPAs should never permit themselves to become so busy with other matters that they neglect relations with bankers — who might be described as the CPAs' best friends, if sometimes their severest critics.

MEMBERS IN THE NEWS

ALDEN C. SMITH was elected mayor of Scarsdale, New York, on November 15, by the board of trustees of the Village of Scarsdale, to fill out the unexpired term of the late Mayor David Mathias. Mr. Smith was president of the New York State Society of CPAs from 1953-54, and is currently serving on the planning committee for the Eighth International Congress.



Mr. Cummings

JOSEPH P. CUMMINGS, New York City, was one of three panel members participating in the Clinic on Accounting and Management on November 5 at New York University.

The program was taped then and broadcast November 28, over WCBS-radio, which has jointly produced the Career Clinic with NYU for the past two years.

ARTHUR BLEGEN, of Fargo, North Dakota, was honored by his fellow CPAs at a testimonial dinner October 19, for more than 35 years' service to the profession. Mr. Blegen is the oldest practicing CPA in North Dakota and has been a mem-

ber of the Institute longer than any other CPA in his state.

TINDALL E. CASHION, San Francisco, was one of the speakers at the American Management Association's educational program held in Los Angeles, Calif., from November 28 to December 16. The subject of Mr. Cashion's December 14 speech was Tax and Accounting Considerations in Leasing.

EMMETT S. CLIFFORD was named controller of the Matson Navigation Co. in early November. He was previously chief auditor for the Maritime Administration, Pacific Coast District, and is a national director of the National Association of Accountants.

HOWARD A. WITHEY has been appointed chairman to represent the accounting profession in the 1960 volunteer fund campaign for the New York State Citizens Committee for the Public Schools.

ALFRED G. PAULSON has been made vice president and controller of Ruder & Finn, Inc., a New York City public relations firm.

ROBERT L. FULLER has been named assistant controller for John-

Professional Development Programs

December 27, 1960, Budgeting for Profit in Small Business, Dallas, Texas.

January 10, 12, 14, 1961, Budgeting for Profit in Small Business, Cleveland, Ohio.

son & Johnson, New Brunswick, N.J., manufacturers of surgical dressings, baby and allied products. He was previously manager of the company's accounting department.

BYRD F. MARSHALL has been elected secretary-treasurer of the Arvida Corporation in Boca Raton, Florida. He succeeds KNOX B. PHAGAN who retired the middle of November.

JOHN J. SELLERS has been elected comptroller of the Berwind-White Coal Mining Co. and of its affiliate, the New River and Pocahontas Consolidated Coal Co., Philadelphia, Pa. Mr. Sellers will continue as treasurer of the latter company.

HARRY M. OLSEN was re-elected as one of two assistant treasurers of the United Cerebral Palsy Associations at the opening session of the organization's eleventh annual conference in Chicago in mid-November. Mr. Olsen had previously been a UCP treasurer in New York City and New York State, and is a former president of the UCP in Rockland County.

GEORGE W. PRICE has been appointed manager of the corporate tax department of the Burroughs Corporation, Detroit, Mich. Mr. Price is also active in federal, state and local tax committees of the Detroit Board of Commerce.

RENDEL R. TERRELL has been appointed to the newly established position of controller for the American National Growers Corporation and Western Fruit Growers Sales Company, Fullerton, Calif. Mr. Terrell was previously with Monterey Oil in Los Angeles.

EAP Bulletin No. 12 Now Available

Bulletin No. 12 in the Economics of Accounting Practice series, "Selected Tax Problems in Accounting Partnerships," is now going out to subscribers. Its issuance was delayed so that any relevant action taken by Congress in the postconvention session could be reported. HR 9662, which would have changed a number of partnership provisions in Subchapter K of the Revenue Code, was passed by the House but died in the Senate. The new bulletin was prepared by Eli Gerver who resigned as director of the Institute's tax department last August to take a position in a public accounting firm.

Bulletin No. 12 is the final one to be published on a paid subscription basis. (Bulletin No. 13 has already been sent to subscribers.) Starting with Bulletin No. 14, "Reporting Within Accounting Firms," all EAP bulletins will be distributed without charge to all practitioners and firms represented in the membership as well as to any other member upon request. No. 14 will be out next spring.

AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS

Boards and Committees Outside the Normal Committee Structure; Senior Committees 1960-61

In place of the expensive separate pamphlet containing the list of Institute officers and committee members which has been published and sent to all members in previous years, these lists are now being published in installments in The CPA. In a membership survey conducted a few months ago, well over half of those who responded considered publication of these lists desirable, but only a relatively small percentage considered them essential. The executive committee therefore concluded that the purpose would be adequately served by publishing the names of officers, Council members and committeemen in The CPA, with a resultant saving of several thousand dollars. For the same reason, street addresses, and the names of over four hundred members of the membership committee, are being omitted.

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WILLIAM M. LYBRAND, oldest living member (94) of the American Institute at the time of



his death, died November 19 in the Stamford (Conn.) Hospital. He was one of the founding partners of Lybrand, Ross Brothers & Montgomery, in Philadelphia, in 1898. Mr. Lybrand joined the Institute in 1916 and immediately became active in its affairs.

From 1916-20 he served on the committee on publications; from 1924-28 he was on the special committee on administration of endowment; and in 1930-31 he served on a special committee on accounting procedure. Mr. Lybrand was a member of Council from 1931-34, and, from 1931-33, was on the

extremely important special committee on co-operation with stock exchanges.

In 1919, Mr. Lybrand was an organizer of the National Association of Accountants (then NACA), and was its president from 1920-21. He also helped organize the Pennsylvania Institute of CPAs, serving as its president from 1902-04.

(Membership dates in parentheses)

HERBERT J. BARRETT ('50), 69, Barrett & Arding, Berkeley, Cal.

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WILLIAM K. COTTRELL ('37), 77, retired, Tulsa, Okla.

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DANIEL NACHBAR ('30), 65, Daniel Nachbar & Company, New York, N. Y.

WILLIAM S. NETTLESHIP ('37), 57, Standard Oil Company (New Jersey), New York, N. Y.

WALTER J. PHILIP ('22), 68, Tulsa, Okla.

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GEORGE C. SELLERS ('58), 59, Ernst & Ernst, Akron, Ohio.

JOSEPH J. SKINNER ('16), Belleair Estates, Clearwater, Fla.

WARD M. WILLITS ('25), 67, U. S. Navy Audit Office, Detroit, Mich.

FRANK H. WILLS ('37), 75, *The Scranton Times*, Scranton, Pa.

NOAH F. WRIGHT ('42), 65, Sunray Mid-Continent Oil Co., Tulsa, Okla.

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